

IMF urges assault on high public borrowing

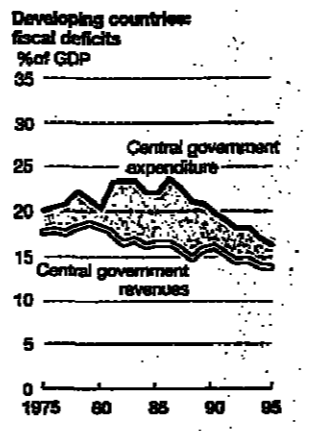
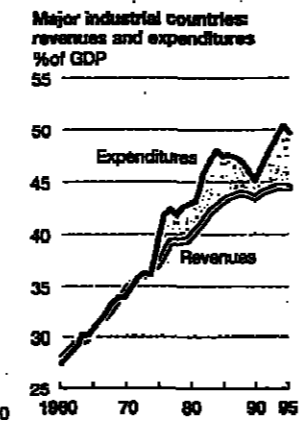
The Fund's World Economic Outlook targets pension reform as an essential policy change. Reports by Robert Chote

Government debt is set to reach unsustainably high levels in most industrial countries, unless pension systems are reformed and budget deficits tackled more effectively, the International Monetary Fund warned yesterday in its latest World Economic Outlook.

In preaching fiscal virtue, the IMF sought to reassure governments that reducing their borrowing would not necessarily impede the growth of their economies. The Fund said it was better to cut budget deficits by reducing government spending than by increasing taxation and argued that fiscal retrenchment was more likely to succeed if it involved fundamental policy changes rather than piecemeal reforms.

Over the past 150 years the public finances of industrial countries have usually moved into serious deficit only in times of war. But large deficits emerged after the first oil crisis in the mid-1970s and widened dramatically after 1980. The IMF believes that higher social security transfer payments are largely to blame, along with increased subsidies and higher debt interest payments. As a proportion of national incomes, transfers and subsidies rose from an average of 8 per cent in 1960 to 21 per cent in 1992.

Public pension and social spending has grown as targeted safety nets have become universal benefits and as the beneficiaries of these schemes have grown in number and political influence. Generous benefits for the jobless have meanwhile increased structural unemployment, especially in Europe, raising transfer spending directly as well as shrinking the pool of earnings available to be taxed. The "tax base" has also been depressed relative to expectations by the slowdown in productivity which followed the early 1970s. This has "imposed a harsher budget constraint than policymakers or voters expected or seem to have realised", at the



same time that greater openness in world capital markets has encouraged governments to borrow more. The Fund argues that big budget deficits and high public debt are a problem because they discourage private saving and push up global real interest rates. This discourages investment and impedes growth. Borrowing to finance transfer payments can also result in unfair redistributions of income, with today's retirees gaining at the expense of tomorrow's workers. This inter-generational prob-

lem is being exacerbated by demographic trends, as the post-war "baby boomers" move through their working lives towards retirement. As a result the tax base is set to shrink at the same time as demands for pensions and healthcare rise. As most public pension schemes are funded on a "pay as you go" basis from current taxes, this is storing up fiscal problems for the future. To judge the scale of these problems, the Fund estimates that the unfunded liabilities of public sector pension schemes exceed two-thirds of national

income in all industrial countries bar the US and UK. In Japan, France and Germany, unfunded liabilities exceed 100 per cent of national income. Public pension schemes in all industrial countries face "contribution gaps", which is to say that current contribution levels are too low to prevent their net asset or liability positions from deteriorating. Germans, for example, would have to raise their public sector pension contributions by 3.4 per cent of national income to stabilise their system. Japan and France have similar contri-

butions gaps to Germany's, while Italy has a gap of 2.6 per cent, the US 0.8 per cent and Britain only 0.1 per cent. The Fund argues that tackling this problem by raising contribution levels would be politically difficult in many countries, so benefits should be reduced and retirement ages raised. Raising the retirement age to 67 alone would be sufficient to eliminate the contribution gaps in France, Italy, the UK and Sweden. Contribution gaps will grow quickly if remedies are delayed, but the Fund warned that proposals to move from "pay-as-you-go" to fully funded pension schemes would involve big transitional costs. The case for fiscal belt-tightening is now widely accepted among policymakers across the industrial world, but some are worried that cutting government borrowing would constrain economic growth by weakening demand.

However, the IMF argued that the experience of consolidation episodes over the last 25 years showed that this need not be the case. "Successful" consolidations - those which cut the ratio of government debt to national income by at least three percentage points over two years - were associated with stron-

ger growth and rising employment, Fund economists found. "Small reductions in budget deficits may reduce aggregate demand, while large adjustments may revive confidence and expectations so that growth is given a boost", the Outlook said. By inspiring financial market confidence, big fiscal adjustments may also have allowed the authorities to cut interest rates more.

The IMF also argued that fiscal consolidations achieved through government spending cuts were more likely to succeed than those driven by tax increases. Successful consolidations also involved bigger cuts in public sector wage bills than unsuccessful ones. "When governments try to solve their budget problems by raising taxes, and not by braking spending in hard-to-rein-in categories, the higher revenues tend to be absorbed and the government share of the economy continues rising." In advocating further fiscal consolidation in developing countries, the Fund warned that cutting public sector wage bills could be counter-productive, by reducing efficiency in areas such as tax administration.

Israelis demand formal truce with Hizbollah

By Julian O'Carne in Jerusalem and David Gardner in Beirut

Israel yesterday confirmed that it was seeking a formal written ceasefire with Lebanese guerrillas as it continued air and artillery attacks on Lebanon in defiance of growing international and domestic criticism.

Mr Shimon Peres, Israeli prime minister, said he wanted written understandings from Hizbollah and Syria instead of the oral understandings brokered by the US which ended Israel's last devastating blitz against Lebanon in July 1993. Mr Peres also said Israel's offensive, which has involved more than 1,000 aircraft sorties and 11,000 shells and killed at least 31 people, could continue for several more days until a formal agreement was reached. "We have no guarantee that it will end in a day or 24 hours or a few days. It could certainly continue," he said.

The prime minister also continued to brush aside a French effort to broker a ceasefire deal, backed by Syria, Lebanon and Iran in favour of US mediation efforts.

However, a US-Israeli drafted ceasefire proposal which greatly extends the July 1993 understandings and would force Lebanon and Syria to curb severely Hizbollah attacks against Israel and against Israeli soldiers occupying parts of southern Lebanon was rejected by the Hizbollah yesterday.

"To us the American proposal means suicide," said Mr Ali Ammar, a Hizbollah member of the Lebanese parliament. "We believe that the American side is not fit to launch any initiatives because it provides the political, moral and military cover for the Israeli aggression."

Lebanon has also given a preliminary negative response to the US-led ceasefire proposal although Lebanon's foreign minister, Mr Faris Bouez, said yesterday his country had not yet formally rejected it and was seeking alterations to the document.

The lukewarm reception given to the US proposal has encouraged France to extend the Middle East mission of Mr Hervé de Charette, its foreign minister.

Loss of momentum behind economic growth seen as temporary Prolonged slowdown ruled out

Economic growth slowed more sharply than expected in western Europe and North America last year but, with temporary factors lying behind the loss of momentum, the IMF does not expect "a prolonged or generalised slowdown".

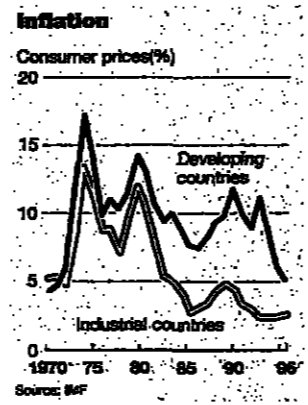
Subdued inflationary pressures, relatively low long-term real interest rates, rising equity prices and the correction of serious misalignments between the world's leading currencies all point to "continued, relatively solid world growth," the Fund said in its latest World Economic Outlook. World trade is expected to continue growing unusually strongly relative to output.

Industrial country economies are expected to expand by 2 per cent this year and 2.6 per cent in 1997. Growth should pick up from 1.8 to 2.2 per cent in the US and from 2.7 and 3.1 per cent in Japan. Taking the European Union as a whole, growth should accelerate there

from 1.8 per cent this year to 2.7 per cent in 1997, with the performances of the "hard currency" countries and the "softeners" gradually converging. Inflation in the industrial countries is expected to remain subdued, rising from 2.3 per cent this year to 2.5 per cent in 1997. The Fund said that the proposals of both the US administration and Congress to cut the budget deficit were disappointing. It urged that "the debate over the budget should be resolved in a manner that ensures continued deficit reduction in 1996 and the next several years". It also argued that "substantial tax cuts should be postponed until deficit reduction is substantially achieved". Japan would have to rein in its budget deficit and raise interest rates once its economic recovery was well established. The world economy should also be insulated from the

deceleration in the industrial economies by continued strong expansions in the developing countries, the Fund believes. IMF economists have downgraded their growth forecasts for Latin America this year and next to 3.1 and 4.8 per cent respectively, but have raised their 1997 predictions for Africa and Asia.

"Growth performance in Africa is expected to continue to improve as a result of the implementation of stronger macroeconomic and structural policies in an increasing number of countries in recent years," the Fund said. It predicts a 5.3 per cent rise in output there this year, easing to 4.5 per cent in 1997. The Fund said the slight slowdown it expected in Asia would alleviate the inflationary pressures and current account imbalances there which have been fuelled in part by large inflows of private sector capital. In the develop-



ing countries as a whole, inflation is forecast to subside from 12.6 per cent in 1997 to 9.5 per cent in 1997, only a fifth of the rate seen as recently as 1994. The economies of central and eastern Europe are forecast to grow by 4 to 5 per cent in 1996-97, a similar rate to that seen last year.

Maastricht goals 'within reach for most countries'

Most European countries have "at least some chance" of meeting the Maastricht convergence criteria for participation in a single currency next year, the IMF said yesterday. But it believes that qualification by a sufficiently large number of countries is by no means assured.

The Fund said that further action to reduce government borrowing was essential if progress towards a single currency was to continue as planned.

The recent slowdown in the European economy has complicated the convergence process by depressing tax revenues and boosting social security spending, although the Fund expects a number of countries to be "within striking distance of the 3 per cent reference value for fiscal deficits".

Given these prospects, the Fund said that "the additional effort required to meet the

Maastricht criterion in 1997 would seem feasible and worthwhile, given the more general need to strengthen fiscal consolidation in these countries". But it added that it would be difficult for many countries to meet the fiscal target if economic activity turned out significantly weaker than expected.

The Fund argued that respect for the Maastricht criteria was important, but observed that "the historic decision to introduce a common currency, and the related decision on which countries will initially participate in this endeavour, presumably will reflect broader political and economic considerations". It noted that most EU governments feared that postponing the starting date for a single currency could undermine the confidence of financial markets and weaken convergence efforts.

The Fund welcomed the German proposal for a "stability pact" which would keep the fiscal deficits of European Monetary Union participants to no more than 1 per cent of national income in normal times. "Overall, the success of the monetary union may well hinge on the ability of governments to make binding commitments to appropriate mechanisms for fiscal discipline beyond the test year of 1997," the Fund said.

Labour market reforms were also necessary to reduce the gap between wage costs and productivity for the most vulnerable groups of workers. "Indeed, there are many reasons why economic performance in the monetary union would be much better, and the potential drawbacks associated with the loss of the exchange rate instrument much smaller, if European labour markets were more flexible".

Editorial Comment, Page 18



If the rainforests are being destroyed at the rate of thousands of trees a minute, how can planting just a handful of seedlings make a difference?

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Mobil to buy 25% of big Asian oilfield

By Sander Thoenes in Almaty

Mobil, the US oil company, said yesterday it would purchase a 25 per cent share in Tengizchevroil, one of Kazakhstan's biggest oil fields with estimated reserves of between 6bn and 9bn barrels. Chevron, also of the US, already has a 50 per cent holding in the field.

Mobil said the Kazakh government had agreed to sell half its 50 per cent share for an undisclosed sum.

The move follows an announcement this week by Mr Vagit Alekperov, president of Lukoil, one of Russia's biggest companies, that it had reached preliminary agreement for the purchase of a stake in Tengizchevroil.

The announcement is the latest sign that the Tengiz venture is about to revive again after three years in limbo for lack of a reliable export route.

"It's a sign of confidence in the economics of the Tengiz project as well as the probability of an export pipeline going ahead," said Mr Steven O'Sullivan, oil analyst at M C Securities, a London-based investment bank. "There's now more momentum behind all of this."

Western oil executives predict a breakthrough agreement next week on construction of an export pipeline linking Tengiz and other oil fields in Kazakhstan to the Russian port of Novorossiisk. "Many of the issues seem to be resolved," one oil executive close to the negotiations said. "It will all come together soon."

Central Asia, though rich in natural resources, has seen its economy decline for lack of independent export routes for its oil and gas, leaving it dependent on Russia even after the break-up of the Soviet Union.

Chevron has kept investment in Tengiz, estimated to require \$20bn, down to about \$1bn because of insufficient access to Russian pipelines. It boosted output only recently, when Russia raised the

amount of Kazakh oil it would let through its pipelines from 1m tons to 4.5m tons a year.

An agreement on the Tengiz pipeline is likely to boost faith in a range of other energy projects, such as the Karachaganak oil and gas field in north-western Kazakhstan developed by British Gas and Agip, and the Azerbaijani offshore fields, developed by a consortium of western companies. Mobil has two exploration ventures in Kazakhstan, including a potentially large field under the Caspian Sea.

Chevron, Mobil and a number of other western and Russian oil companies are negotiating in Moscow with Russian, Kazakh and Omani officials for an agreement on joint construction of an export pipeline from Tengiz.

Until recently, the consortium included only the governments of Russia, Kazakhstan and Oman and had failed to obtain financing because Chevron, the pipeline's main potential client, refused to join in unless Oman cut its share of the venture to reflect its limited investment. Oman backed down in March, enabling the consortium to solicit fresh investors for a 50 per cent stake.

Negotiators predict that Chevron, Mobil, British Gas, Agip and Oryx, the major oil producers in Kazakhstan, will conclude negotiations on investment in the pipeline venture next week. Lukoil and one or two other Russian oil companies are expected to join in as well, in a trade-off aimed at increasing Russia's incentive for co-operation.

Mr Jonathan Stern, consultant for Gas Strategies in London, cautioned that Russia's co-operation in the pipeline is still far from assured. "The real issue is a political one," he said. Russia has tied its co-operation on Tengiz to political concessions by Kazakhstan, which is in dispute with Moscow over the status of the Caspian Sea.

Outcome of WTO attempts to liberalise markets worth \$500bn a year remains uncertain

Talks on world telecoms pact may miss deadline

By Frances Williams in Geneva

Negotiations on a global pact to liberalise basic telecommunications have made "good progress" but a deal by the April 30 deadline is by no means assured, trade officials said yesterday.

The World Trade Organisation talks, in which 51 nations are taking part, aim to open telecoms markets worth more than \$500bn a year to foreign competition under an agreed set of regulatory principles.

Trade diplomats say they are nearing agreement on the principles which would guard

against abuse of market power by dominant telecoms operators. But bilateral talks on access to domestic markets for foreign companies have failed so far to produce enough concessions to secure Washington's support for a deal.

"I really don't know how these talks are going to come out," said one US negotiator. "I wouldn't even buy a derivative on this one."

Peru and Ecuador yesterday submitted offers to the WTO telecoms negotiating group, bringing the number of offers to 26 (the 15-nation European Union counting as one).

Argentina, Colombia, Iceland and Thailand have promised offers in the next few days.

AT&T is concerned that countries refusing to liberalise could free-ride on cheap international connections

However, India has yet to submit an offer while Indonesia and South Africa, both important potential

markets, are only observers at the talks. The US and the EU, which have comprehensive liberalisation proposals on the table, yesterday welcomed the latest developments.

Nevertheless, US and EU officials say offers by a number of Asian and Latin American countries remain inadequate, and they are also concerned about Canada which alone among the leading traders is insisting on strict foreign ownership restrictions.

Both Japan and the EU, under pressure from the US, have said they are prepared to drop most ownership restrictions provided trading

partners follow suit.

Canada is expected to come under strong pressure from its Quad partners - the US, EU and Japan - when the four trade ministers meet in Kobe tomorrow with telecoms at the top of their agenda.

EU officials say they are also concerned at signs that the US is considering a partial or total exclusion of international services from the agreement. "The EU could not accept a deal without coverage of international services," one official said yesterday.

The US industry, notably AT&T, is concerned that countries refusing to liberalise

their own markets could free-ride on cheap international connections between highly competitive markets in the US and Europe. At the same time, they would be able to charge high international accounting rates for incoming calls.

Washington has come up with a "menu" of options for tackling this problem.

One possibility short of exclusion would be to delay entry into force of the WTO accord for international traffic, perhaps for five years beyond the probable January 1 1998 starting date for domestic local and long-distance calls.

Chrysler to rethink plans for Vietnam plant

By Jeremy Grant in Hanoi

Chrysler said yesterday it was reconsidering plans to make vehicles in Vietnam because of potential overcrowding in a market which industry experts say will take longer than expected to mature.

The US company was awarded a licence last year for a \$192m assembly plant in Dong Ngai province, not far

from the southern commercial hub of Ho Chi Minh City. But after Hanoi relaxed limits on the number of investors, the US company viewed the market as more competitive, prompting a re-assessment of its plans, according to Mr Vance Peacock, Chrysler's manager for Thailand and Vietnam.

"The original proposal was based on us being one of four

licensees. So with 12 in the picture we're looking at what level of investment makes sense now," he said. Specifically, Chrysler was reconsidering its planned product mix of Jeeps, Dodge pick-ups and Neon sedans.

In November last year, Vietnam changed its policy on foreign investment in vehicle assembly by saying it would

not restrict the number of players, having previously set a limit of one Japanese, one European and two US companies.

Industry experts say the move was designed to demonstrate Hanoi's commitment to unrestricted competition. But the effect has been to sow concern among the 12 companies so far licensed that the market may

be too competitive. Vietnam has a population of 74m but few people can afford cars.

BMW of Germany, for instance, assembles cars under licence in Vietnam but production has been down to one car per day for months because of poor demand.

Ford, the only other US manufacturer besides Chrysler with a presence in Vietnam, acknowledged that the market

was competitive but had no plans scale back, said Mr Murray Gilbert, Ford Vietnam's director general. It is building a \$102m assembly plant just outside Hanoi and vehicles would start rolling off the production line in October 1997. Initial capacity would be 14,000 vans and Escort sedans a year, although the proportions had yet to be decided, Mr Gilbert said.

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New Zealand inflation rises above target

By Terry Hall in Wellington

The Reserve Bank, New Zealand's central bank, narrowly breached its inflation target in the March quarter this year, the second time a target has been missed since it was placed in charge of monetary policy in 1990.

The bank announced yesterday that it had calculated underlying inflation, its own measure of the cost of living,

at 0.6 per cent in the three months to March 31, or 2.1 per cent for the year. The bank, operating under an act of parliament, is supposed to keep inflation below 3 per cent. The bank last breached the target in June last year, when inflation reached 2.3 per cent.

The bank's statement followed the release of the March quarter consumer price index, which put inflation at 2.2 per cent. This was primarily due to

rising house prices and higher central and local government charges.

The breach caused no upset in the financial markets, where rates were little changed. Mr Don Brash, the Reserve Bank governor, had previously said the bank had relaxed monetary policy too much towards the end of last year and had forecast underlying inflation of 2 per cent for the quarter, although private sector esti-

mates had varied between 1.6 and 2.1 per cent.

Mr Bevan Graham, chief economist with Westpac, said the markets regarded the figures as old news. He said there was ample evidence that tightening by the bank since the end of the year meant that inflation was now running at lower levels.

"In any case, 0.1 of a per cent is not seen as a significant breach," Mr Graham said. "It

simply reflects the lags in tightening the economy after things got a little too loose last year."

The Reserve Bank had predicted a 2 per cent inflation rate for the quarter. Signs of a slowing economy include falling GDP forecasts, and drops in the numbers of people being hired for work and in retail statistics. There are also indications that the property market is also slowing.

Figures showing the size of the current account deficit, to be released today, are the subject of more interest. There is growing concern at the deficit, which stood at NZ\$3.7bn (US\$2.5bn) in December or 4.7 per cent of GDP.

The current account has been deteriorating because of a high level of imports, encouraged by the strong New Zealand dollar and poor export statistics.

Competition challenge for HK businesses

Hong Kong's businessmen have always sought to keep politics at arm's length. But as the territory's return to China approaches, political considerations loom larger, complicating strategies and raising challenges for some traditionally dominant players.

This is of particular concern to UK-controlled groups seeking to defend or develop positions in strategic sectors. "Now is not a good time to be issuing reminders of your Britishness," one senior executive said.

His reference is to the political hurdles facing British Telecom as it tries to secure control of Hong Kong Telecom through a merger with Cable and Wireless. This is only one example of the challenge for UK interests ahead of next year's handover.

The UK's Swire Group is faced with the prospect of a mainland airline establishing operations in Hong Kong in competition with Cathay Pacific, its highly profitable subsidiary.

Jardine Matheson, the other big UK-controlled business empire, saw its participation in a new container terminal blocked, though Beijing's objections have now been lifted and relations are on the mend.

For some, such political factors are scarcely a surprise. One business member of the preparatory committee, the Beijing-appointed body overseeing the handover, says it is natural China feels uncomfortable about UK interests holding dominant positions in certain industries.

Hong Kong Telecom has an exclusive franchise on international calls until 2006. Cathay faces tough competition from international carriers, but is the exclusive Hong Kong carrier on many of its routes.

"These are politically sensitive sectors in any country," the committee member said.

In response, the UK-controlled companies have sought to adapt their strategies. Cable and Wireless has strengthened Hong Kong Telecom's identity as a local com-

pany, appointing the operator's first ethnic Chinese chief executive in 1994.

Both Hong Kong Telecom and Cathay Pacific have sold significant equity stakes to Citic Pacific, Beijing's main overseas investment vehicle.

While Jardines has restricted partnerships to joint ventures, it has played down its colonial past and sought to develop personal relationships with senior mainland officials.

Symbols have also been important. The Union Jacks have long disappeared from the tail of Cathay Pacific airliners. Jardines has surrendered its steward's seat at the elite Hong Kong Jockey Club.

Such strategies have their limits. Hong Kong Telecom's British ownership has been highlighted by the merger talks between BT and C&W.

Swire's alliance with Citic in aviation has failed to fend off CNAI, the airline arm of China's aviation regulator, from planning to set up an operation in Hong Kong.

Mr Peter Sutcliffe, chairman of Swire Pacific, warned at an economic conference last week against the threat of "unfettered" competition. "Long-term stability is critical if Hong Kong's interests as an international business centre are to be served," he said.

But such arguments cut little ice with those seeking to enter lucrative sectors. In telecoms, too, local voices are seeking to break Hong Kong Telecom's monopoly. Hutchison Whampoa, New World and Wharf, some of the territory's biggest conglomerates, all with strong mainland connections, are seeking to win a slice of the international market.

The irony is that as Hong Kong approaches its return to the socialist motherland, such pressures may speed the rise of competition in long-regulated sectors. This would be more a reflection of political factors than the mainland's attraction to market forces. But either way, it presents a threat to the UK-controlled incumbents.

John Ridding

Setback to Australia's race relations

Cash and land issues are again dividing the white and Aboriginal communities, writes Nikki Tait

The road to reconciliation between Australia's white community and the country's quarter of a million Aborigines has always been bumpy. But over the past week, two developments have deepened the potholes.

First, the new conservative federal government has moved to tighten "accountability" at the Aboriginal and Torres Strait Islander Commission (ATSIC), the main representative body through which about A\$900m (US\$700m) of federal funds are channelled annually to smaller law and social welfare organisations.

Mr John Howard, prime minister, has pledged to appoint a "special auditor" to check ATSIC grants, and talked of passing legislation which would allow for the installation of an administrator at ATSIC if fraud or serious mismanagement were evident.

The move - one of the few substantive new policy announcements made since the government changed in early March - appears to have been triggered by allegations of financial irregularities in the state-based Aboriginal Legal Services and some broader claims of general mismanagement. Senator John Herron, the new Aboriginal affairs minister, says he has passed evidence of alleged irregularities to the police.

But, already, the action has caused an outcry. The prime minister denies that the changes amount to a "paternalistic or undemocratic act", but many indigenous leaders think they smack of just that. Such interference, they argue, undermines the basic principle of "self-determination", which has governed Australia's approach to Aboriginal affairs for the past 35 years.

Second, resource companies and pastoralists have stepped up pressure to resolve legal uncertainties which resulted from the landmark Native Title Act of 1993.

This did away with the notion that Australia had been uninhabited before

European settlement and gave the Aboriginal community a national procedure for asserting native title rights for the first time. But it left open the question of whether land which had previously been subject to pastoral lease grants, was immune from such claims.

The issue is anything but a nicety. Pastoral leases cover large tracts of Australia's vast land mass, and in Western Australia two-thirds of mining leases are on land of this type. Once there is a native title claim registered on a parcel of land, mining cannot proceed without a potentially long "right to negotiate" process being triggered.

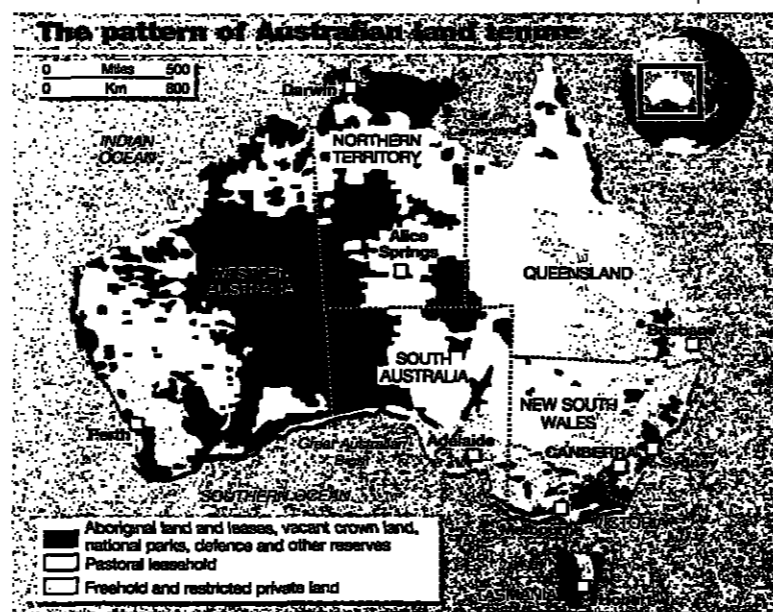
The uncertainty has hit home most prominently in northern Queensland, where RTZ-CRA, the London-based mining group, has a time-sensitive A\$1.1bn zinc mine project ready to go. It originally imagined that past pastoral leases would have extinguished native title rights. But, with this possibility no longer closed off, the local Wazany people's claim has been registered. The mining group has warned that it may not now make the required timescale and the project's future is uncertain.

These two issues - the accountability of public funds and the question of what land can be claimed - are in essence distinct. But that has not stopped them being linked in the media, the public's, and, perhaps most important, the indigenous community's mind.

Mr Noel Pearson, director of the Cape York Land Council and much respected for his role in negotiating the Native Title Act, has warned that relations between the two communities are seriously imperilled and that this could ultimately lead to Australia's international embarrassment.

"What I fear is going to happen is that there is going to be a slow development in the Aboriginal community of a sense of despair about the general direction of the country," he has cautioned.

Come the year 2000, this could rico-



chet directly on the Sydney Olympics, when Australia will be in the international spotlight. "In four or five years' time you are going to see all the ingredients for great unrest during the Olympics."

The hamfisted way in which the uneasy balance between white and black communities has suddenly turned into confrontation has even distressed some of the coalition's own ranks. Mr Ian Viner, deputy chairman of the Council for Aboriginal Reconciliation and a former Aboriginal affairs minister under the Fraser regime in the 1980s, has described the ATSIC intervention as unnecessary and unwarranted.

But lawyers on the mining industry side worry that the court tends to move slowly and rulings can take many months to deliver. A legislative solution could be speedier but would be fraught with political obstacles.

The issue of accountability, meanwhile, remains more fundamental, pitting Aboriginal claims for self-determination against a cost-conscious government's desire to see value for money spent.

High Court ruling or by legislation.

For the moment, the main initiative is with the courts. The High Court, the highest judicial authority, this week agreed to consider a claim by the Wik people over 35,000 sq km of Cape York - including some valuable bauxite leases also owned by RTZ-CRA. The effect of pastoral lease on native title rights is the basic issue.

But lawyers on the mining industry side worry that the court tends to move slowly and rulings can take many months to deliver. A legislative solution could be speedier but would be fraught with political obstacles.

The issue of accountability, meanwhile, remains more fundamental, pitting Aboriginal claims for self-determination against a cost-conscious government's desire to see value for money spent.

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NEWS: UK

Surprise jobless fall raises hopes of growth

By Gillian Tett, Economics Correspondent

Hopes that economic growth will pick up this spring were boosted yesterday after official figures showed that unemployment fell to its lowest level for five years last month.

The fall surprised the City and should provide welcome relief for the chancellor, who is hoping for a return of the feel-good factor this year.

However, the improvement also highlighted the interest rate dilemma that the government could face soon. For signs that the economy might be rebounding left the City more convinced that interest rates will rise again later this year - possibly in the run-up to the next general election.

Mr Eddie George, governor of the Bank of England, the UK central bank, yesterday appeared to play down these expectations slightly, pointing out that there was still little sign the economy was over-heating.

Speaking in Nottingham, he warned that "there is no clear evidence at this stage that the evidence of demand is becoming excessive or likely to put upwards pressure on inflation."

Nevertheless, expectations of a rate rise were fuelled by the publication of the minutes of the March meeting between Mr George and Mr Kenneth Clarke, the chancellor of the exchequer.

IMF warning on interest cuts

From Robert Chote, Economics Editor, in Washington

Mr Kenneth Clarke, the chancellor of the exchequer, has little if any further scope to cut interest rates unless activity in the economy weakens markedly, the International Monetary Fund warned yesterday.

In its latest World Economic Outlook, the IMF downgraded its growth forecasts for the UK for both this year and 1997. It argued that Britain was set to enjoy "continued moderate growth" with national output expanding by 2.5 per cent this year and 2.7 per cent in 1997.

The headline rate of inflation is expected to edge down slowly during the remainder of this year, now that earlier rises in industry's fuel and raw material costs have worked through the production chain.

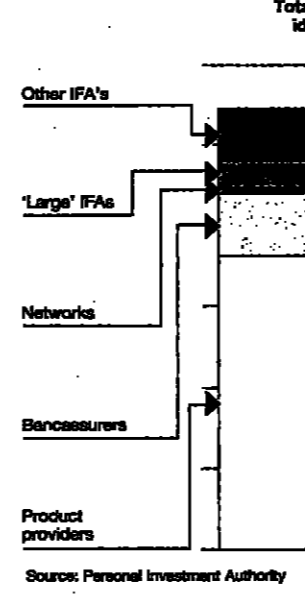
Underlying inflation is expected to fall from 2.8 per cent this year to 2.5 per cent in 1997, close to the government's long-term target of 2.5 per cent or below.

Pensions payouts amount to £6.5m

By Alison Smith, Investment Correspondent

Life assurance companies and independent financial advisers have paid out little more than £6.5m (£9.5m) in compensation to people wrongly advised to buy personal pensions after 14 months of the pensions review.

Pension review



London are thought to have lost patience with the complaints from life companies and advisers about the difficulty of carrying out the review, which involves re-

opening hundreds of thousands of pension cases.

The PIA statistics underline how little has been achieved by the sector as a whole since the broad terms of the review were

E.T.B.A. FINANCE

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ANNOUNCEMENT OF A PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE PURCHASE OF THE TOTAL ASSETS OF INTERNATIONAL TOURIST INVESTMENTS S.A. NOW UNDER SPECIAL LIQUIDATION

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- 9. The liquidator bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to the liquidator's proposal regarding the highest bidder. Also he is not responsible and has no obligation to participants in the auction in the event of a cancellation or withdrawal of the auction if its result is deemed unsatisfactory.
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- 11. The costs of transferring the ownership of the assets for sale (taxes, fees, rights and other expenses) are to be borne by the buyer.

London Internet use leads Europe

By Alan Cane in London

London leads other European financial centres in availability of telecommunications services, but lags behind New York, research shows.

The conclusion was that in markets where competition is well developed, such as New York and London, customers are more concerned with quality of service than price.

DTI opposes right to ask questions

By David Wighton in London

The government is against granting shareholders a legal right to ask questions at company annual general meetings, the Department of Trade and Industry said in a consultation document published yesterday.

The paper concludes that the handling of questions should be dealt with "in the development of best practice by companies".

London Internet use leads Europe

London leads other European financial centres in availability of telecommunications services, but lags behind New York, research shows.

The survey has revealed that nine out of 10 financial institutions in the City of London are either using or planning to use the Internet, the worldwide computer network, in spite of worries over security while eight out of 10 have put in place, or are planning to use, video conferencing systems.

DTI opposes right to ask questions

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The paper concludes that the handling of questions should be dealt with "in the development of best practice by companies".

New headache for Lloyd's as High Court rejects adjournment plea

By Ralph Atkins, Insurance Correspondent

Lloyd's of London faced a fresh headache last night when plans to adjourn an important legal case were rejected by the High Court - despite delay being backed by a significant body of lossmaking Names.

Leaders of some of the most powerful Names' action groups backed the adjournment, which they believed would help yield significant benefits for their members under Lloyd's ambitious recovery plan and accompanying out-of-court settlement.

Separately, a further 800 Names won the latest stage of their court battle for damages for more than £70m (£106m) in losses.

The Bromley 475 Names action group said a High Court ruling showed they were victims of negligent underwriting. It would strengthen the group's hand in negotiations with Lloyd's over a proposed £2.8bn out-of-court award to

The decision is unwelcome for Lloyd's because it had hoped the adjournment would signal a rapprochement with embittered Names, individuals whose assets have traditionally supported the insurance market.

But the proposed adjournment angered other Names who believed leaders of the Gooda Walker and Feitrim action groups were seeking special favours and that the negotiating hand of litigating Names was being weakened.

Mr Christopher Stockwell, chairman of the umbrella Lloyd's Names Associations' Working Party, said Names "need to know they can keep

the winnings of successful actions, not lose them into the Lloyd's black hole".

Mr Roy Bromley, underwriter on Lloyd's syndicate 475, committed suicide in 1993. The level of damages has still to be decided. The action group said it would seek to recover as much of its members' losses as possible.

But Clyde & Co, the legal firm representing the insurers which provided Lloyd's agencies with cover against negligence awards, said the Bromley Names may obtain less than £10m in damages.

Mr Peter Dutton, banking analyst at stockbrokers Credit Lyonnais Laing, estimates that technological changes, productivity gains and reductions in the volume of labour could by the year 2000 lead to a £2bn annual saving in banks' costs.

UK NEWS DIGEST

Minister plans house detention for minor crimes

The government is planning to replace prison sentences for minor criminal offences with a system of house detention monitored by electronic tags on convicts. Mr Michael Howard, the home secretary, is understood to favour the plan, which could save more than £10m (£15.3m) of public expenditure and ease pressure on the prison population.

Scientists make BSE accusation

Dr Harash Narang and Dr Stephen Dealler, scientists who have spent years studying bovine spongiform encephalopathy, clashed with the medical and veterinary establishments yesterday when they accused the government of overlooking their research into "mad cow disease".

Tories urge border relaxation

A group of senior Conservatives will today launch a report pressing the UK government to give up independent border control and allow freedom of movement in Europe.

Phonebox wins BT order

Phonebox, a company based in Fife, Scotland, which designs and markets telephony equipment, has won a £3.4m order from British Telecommunications for digital telephone answering machines. The machines are manufactured under contract at Glenrothes, in Scotland, by Hughes Microelectronics, the US company. The order includes 60,000 Response 120 combined telephone answering machines which Phonebox designed and of which BT has sold 600,000. It also includes an order for a new telephone and answering machine to be launched by BT in May. Phonebox, which employs 15 people at Inverkerith, says it is the only UK company designing answering machines.

Board link with OFC directors

A director of a company described by the Department of Trade and Industry as having made an "undeserved profit" in the investment scheme run by Ostrich Farming Corporation serves with two OFC directors on the board of a third company. Mr Jack Bennett is a director both of Wallstreet Corporation (UK), named in the DTI's winding-up petition against OFC, and of Ostrich Breeding Corporation, where Mr Brian Ketchell and Mr Allan Walker of OFC are also on the board. The DTI is seeking to close OFC, which "guaranteed" ostrich owners annual returns exceeding 51 per cent through a check allocation and buy-back scheme. The Serious Fraud Office is also investigating OFC. The DTI's petition filed in the High Court says Wallstreet Corporation and another company, Wall Street LLC, bought ostriches at market price from Mr Eddy Nachtergaele, a Belgian animal breeder, and sold them on at much higher prices to OFC, making "substantial profits... for no discernible benefit". Mr Bennett, described in Companies House filings as a "consultant", was not available for comment. Mr Mark Chamberlain, Wallstreet's other director, said: "I'm afraid I've got no comment to make at all".

FT plans to cut jobs

The management of the Financial Times yesterday announced a reorganisation and cost-cutting plan which would result in 30 journalists being made redundant - some of them compulsory.

Private health plan vetoed

Mr Stephen Dorrell, health secretary, has overturned a ruling by a ministerial colleague that National Health Service trusts could raise extra cash by offering private health insurance.

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Mr Peter Dutton, banking analyst at stockbrokers Credit Lyonnais Laing, estimates that technological changes, productivity gains and reductions in the volume of labour could by the year 2000 lead to a £2bn annual saving in banks' costs.

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NEWS: UK

Minister plans house detention for minor crime

Cook warns Labour must focus on needs of poor

By John Kampfner, Chief Political Correspondent

Mr Robin Cook, the shadow foreign secretary, suggested yesterday that Labour policy had gone too far in its attempts to win round the rich and must focus again on defending the needs of the poor.

"The relationship between the Labour party and the unions is not a marriage of convenience," Mr Cook told the Scottish Trades Union Congress in Edinburgh.

Shadow transport secretary, came into conflict with the leadership for suggesting a higher rate of tax for those earning more than £34,000.

Mr Blair told business leaders in New York last week that Labour was now a party of the centre.

Mr Blair had always believed that the alleviation of poverty was one of his top priorities, the aides added.

Community and "our belief in equality, our recognition that every human being is of equal worth."

Sceptics urge BSE blast at Europe

By Robert Pestor, Political Editor

Ministers are urging the prime minister to mount a vigorous anti-European campaign pinned to the beef crisis as the best way of uniting the Tory party in the wake of last week's embarrassing by-election defeat.

The initiative has the support of Eurosceptic members of the cabinet and moderate pro-Europeans. It will be discussed today at a ministerial meeting, chaired by Mr Tony Newton, the leader of the House, called to address the BSE issue.

There is a suggestion that the government should be more aggressive in dealings with those domestic food groups which have shied away from buying British beef.

A display of local difficulties

The two main parties showed early symptoms of triumphalism and truculence yesterday as they launched their campaigns for next month's local government elections.

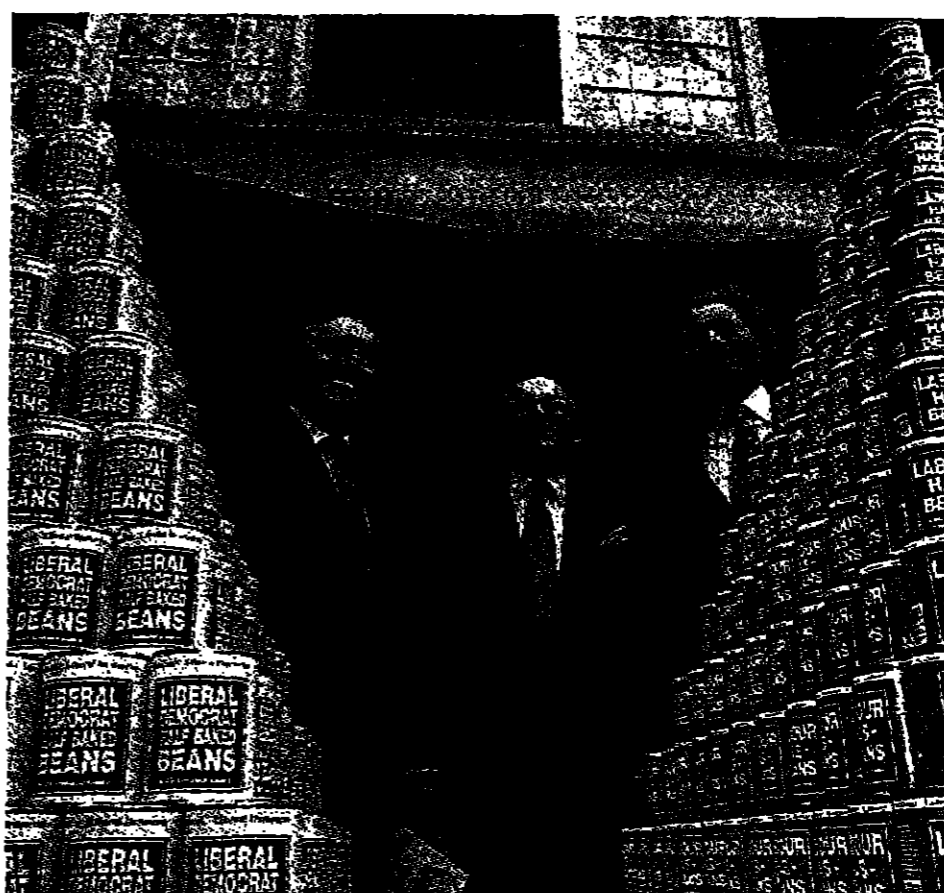
The two main parties showed triumphalism and truculence at press conferences yesterday

Labour and the Conservatives, for Mr Brian Mawhinney, the Tory chairman, the main priority was to shore up morale following last week's humiliating by-election defeat in Staffordshire South East.

of suggesting that "we should dump the prime minister". The trouble for the Tories is that their twin-pronged message did not seem to get across.

bank Tower. On their way journalists were treated to a picture opportunity involving Mr Mawhinney, Mr Heseltine and Mr John Gummer, environment secretary, standing beside artistically composed piles of baked beans.

Tory chairman for blurring out what is really being thought by most Tory MPs at the moment — dump the prime minister.



Cammed laughter: Brian Mawhinney, John Gummer and Michael Heseltine launch their campaign yesterday with stacks representing Liberal Democrat 'half baked beans' and Labour 'has beans'

E.T.B.A. FINANCE Financial and Economic Services S.A. ANNOUNCEMENT OF A PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE PURCHASE OF THE TOTAL ASSETS OF INTERNATIONAL TOURIST INVESTMENTS S.A.

ANNOUNCES A public auction for the highest bidder with sealed, binding offers for the purchase of the assets of INTERNATIONAL TOURIST INVESTMENTS S.A. (IPIKORATOUS MELATHRON HOCH) established in Athens.

TERMS OF THE ANNOUNCEMENT The auction will be carried out in accordance with the provisions of article 46a of Law 1952/1991 complemented by article 14 of Law 3000/1991 as today in force.

Mr Stephen Dorrell, the health secretary, has overturned a ruling by a ministerial colleague that NHS trusts had the power to generate additional income, provided it did not jeopardise public funds.

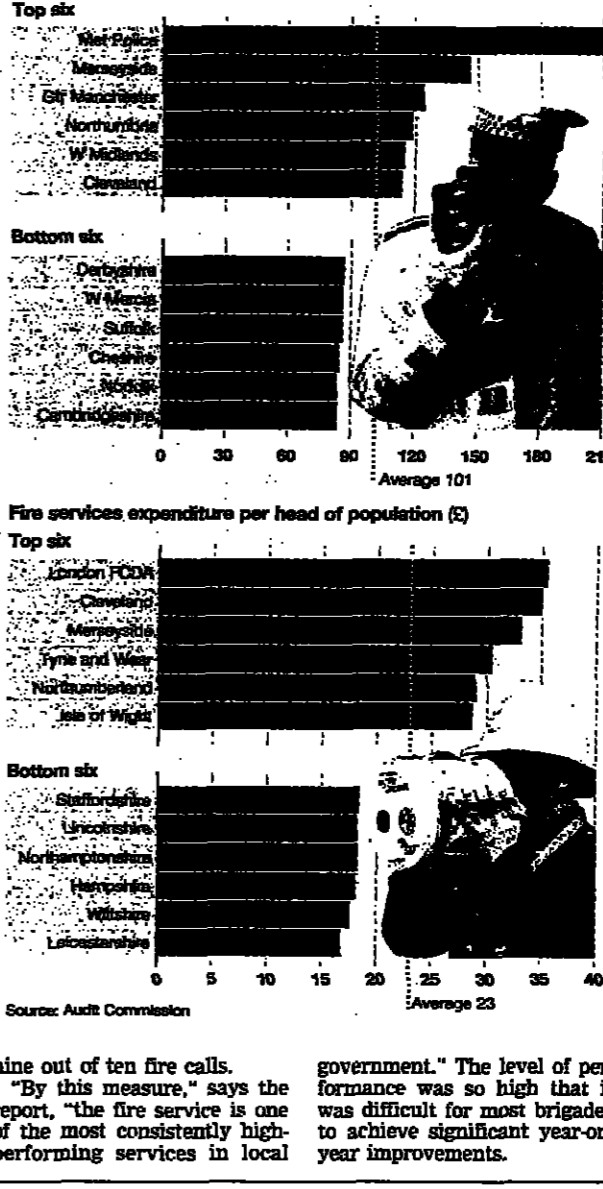
Ostrich director on board of third firm

A director of a company described by the Department of Trade and Industry as having made an "undeserved profit" in the investment scheme run by Ostrich Farming Corporation serves with two OFC directors on a third company.

Police lift 999 response times

A majority of police forces improved their 999 response rates last year after publication of comparative information in Audit Commission performance indicators.

Cost of security: spending by region



Dorrell rules out health trust insurance schemes

Mr Stephen Dorrell, the health secretary, has overturned a ruling by a ministerial colleague that NHS trusts had the power to generate additional income, provided it did not jeopardise public funds.

Senior Tories to press for free movement inside EU

A group of senior Conservatives will today launch a report pressing the government to give up independent border control.

Murky style from Canada

The programme for Les Grands Ballets Canadiens - a document less than informative - proclaims on its cover "Contemporary style. Classical inspiration". Ah, if only!

The first of its two programmes opened with Mark Morris's Quincunx. This is plotless, academic in manner, and set to some pretty Donizetti writing for strings.

Hot on Quincunx's heels comes Double Time, a duet for two men by Itzik Galili, about whom the programme is mute though telling us that the dance is "brutally frank" but "will soften to reveal a fragile vulnerability".

Worse follows. Kevin O'Day, young American choreographer, has chosen a nasty, clattering score by Steve Mandel to drive his cast into various unrelaxed and sportive activities.

Nothing happens in the closing Black Oaks by Hans van Manen to persuade me that Dutch choreography has anything to offer us except angst and low-level jokiness. Six couples in variously un-chic black outfits (the men in see-through trousers, which is not a fashion I commend to the sartorially careful)

Les Grands Ballets Canadiens are at Sadler's Wells Theatre until Saturday.



Time-hopping insanity: Bruce Willis and Brad Pitt in Terry Gilliam's 'Twelve Monkeys'

Cinema/Nigel Andrews
A virus in search of a story

In the matter of monkeys and typewriters, I have never believed the "Complete Works of Shakespeare" theory. Sit an infinite number of simians at an infinite number of Remingtons and you will more likely end up with Twelve Monkeys the movie script.

- TWELVE MONKEYS Terry Gilliam
SMOKE Wayne Wang
UNZIPPED Douglas Keeve
BEFORE AND AFTER Barbet Schroeder
SUDDEN DEATH Peter Hyams

time, memory and illusion. Actually we do not have to go back to Hitchcock's Smoke, directed by Wayne Wang and written by Paul Auster, is a pipe dream in the shape of a puzzle. Like an Auster novel it is high on conundrum.

After a brief, puzzling detour to 1916 where he receives a first world war bullet in the leg, Willis returns to the 1990s to discover that Pitt is now at large: though whether staying at the mansion of his equally mad virologist father Christopher Plummer counts as care in the community is doubtful.

Opera/Richard Fairman
Welsh 'Faust'

The spotlight is on Welsh National Opera this year. At the weekend Radio 3 broadcast a 50th anniversary tribute reminding us how many compelling performances the company has presented in its first half-century and then went on to a relay of one of the very best - the recent production of Cur and Pog, which sounded even more electric than it had in the theatre.

singing was often beautiful and at a couple of moments quite divine. A pity that she struggled a bit over the final trio. Paul Charles Clarke as Faust is not a natural French stylist, but works hard to inject the right sensitivity.

Concert/Stephen Pettitt
Sawallisch and the LPO

Wolfgang Sawallisch and the London Philharmonic Orchestra are best friends. Or so it appeared at the Royal Festival Hall on Tuesday for the second of the two concerts he conducted with the beleaguered band, when he insisted that the players remained standing to receive their share of applause.

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FINANCIAL TIMES

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Thursday April 18 1996

A voice for stringency

The most important function of the International Monetary Fund is to be Jiminy Cricket to the governmental Pinocchio. Unfortunately, the noses of finance ministers grow no longer, whatever whoppers they tell. But this makes the IMF's Jiminy Cricket role more important. It does not need to be original. It must speak for the eternal verities of sound policy instead.

debt in industrial countries. According to the OECD, the ratio of net public debt to gross domestic product in the US rose from 23 per cent in 1980 to 52 per cent in 1995. Bad as this is, the increase was still greater in Europe, where the ratio rose from 21 per cent to 55 per cent. Strikingly, the French debt burden went from minus 3 per cent in 1980 to 35 per cent in 1995 and the German from 12 per cent to 49 per cent. France and Germany also have unfunded pension liabilities in excess of their national incomes.

Short circuits

The announcement that Southern Company, the US electricity company, is considering offering to merge with National Power fuels the controversy raging over the regulation of Britain's utilities. The fact that Southern is American makes headlines because it raises the possibility that control of Britain's biggest generator might pass into foreign hands.

offers from National Power and PowerGen for Southern Electric and Midlands Electricity, respectively. Unfortunately, if leaked reports are correct, the Monopolies and Mergers Commission has recently recommended to Mr Ian Lang, the trade and industry secretary, that these takeovers should be allowed.

Whitelisting

Last year Mr Andrew Lansley, former director of research at Conservative Central Office and now a Conservative parliamentary candidate, was quoted as saying that "immigration, an issue which we raised successfully in 1992 and in the 1994 Euro-elections campaign, played particularly well in the tabloids and still has the potential to hurt". The result of the 1992 campaign was the 1993 Asylum and Immigration Appeals Act, which established a "fast track" appeals procedure for "manifestly unfounded" asylum applications.

add after the bill's passage (as persistent rumours suggest) it seems wrong to afford the executive such broad discretion, especially given the inevitable diplomatic pressures that will make it reluctant to remove countries from the white list once they are on it.

The long wait for political power

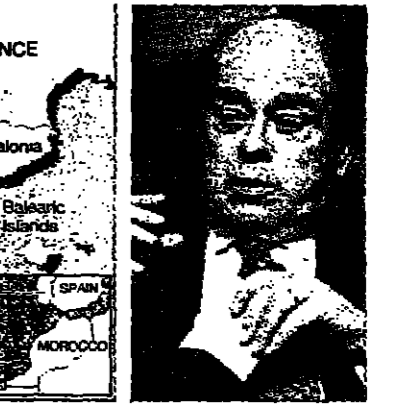
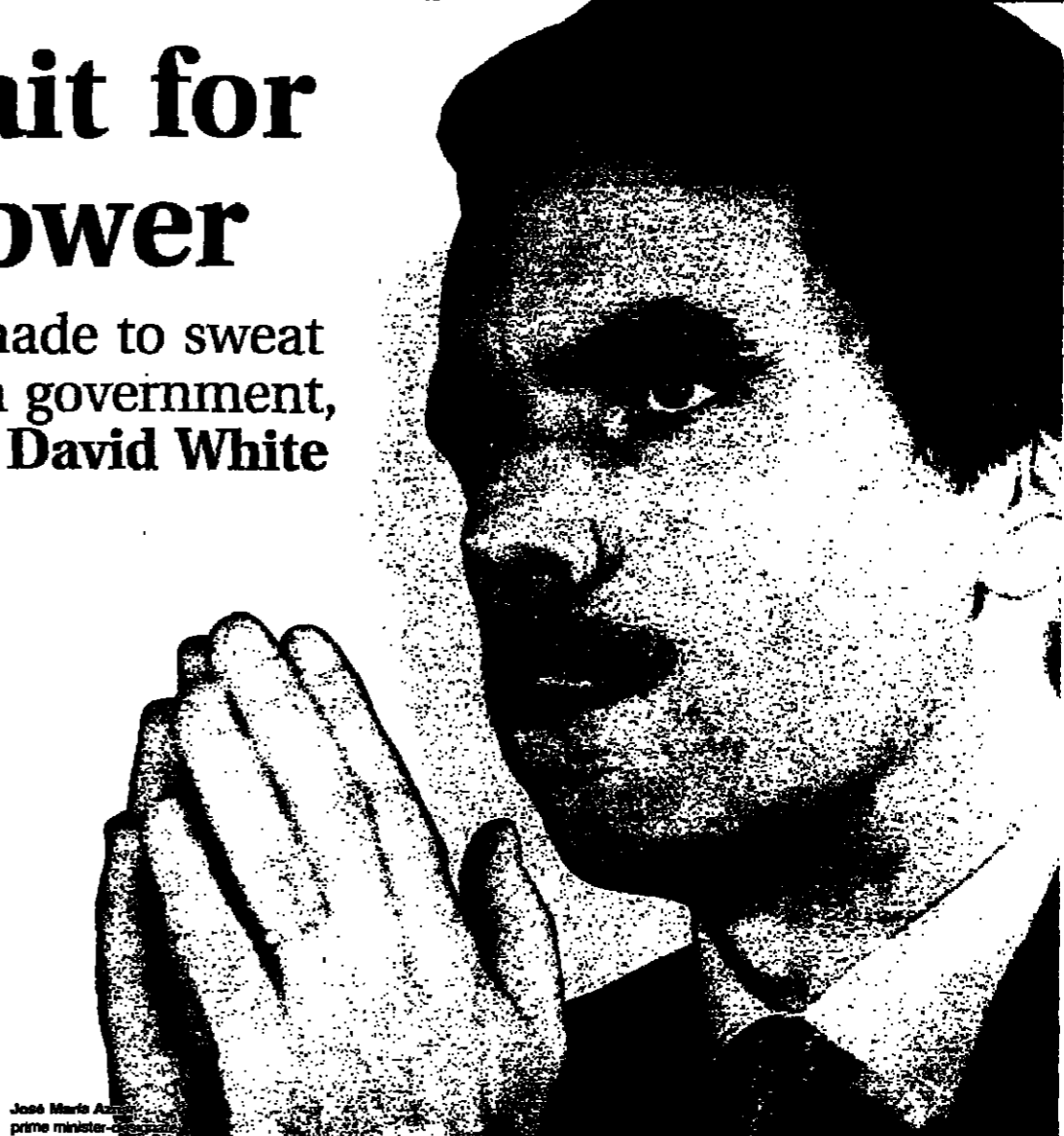
José María Aznar is being made to sweat as he tries to form a Spanish government, but investors are calm, says David White

Normal Spanish politics will be resumed as soon as possible. More than six weeks after the general election there is still no government in Madrid. Mr José María Aznar, officially named prime minister-designate last Friday, is still negotiating to reinforce his centre-right Popular party's inadequate lead in parliament.

wrong ever to think of not standing for re-election. The veteran Mr Pujol, while firmly in control of Catalonia's regional government, saw his party soundly beaten on its home ground by the local Socialists; but now he is calling the shots in Madrid.

It is an eerie lull after a storm. Investors, who panicked over the inconclusive election result, have decided things are not so bad. The markets confidently expect a Popular party government and a reinforced commitment to the difficult goals of European monetary union. After the post-election upset, stock prices are near an all-time high. The peseta has been relatively strong, higher now against the D-Mark than before it was devalued a year ago. Inflation is at its lowest since democracy was restored, and the independent central bank has been confident enough to cut official interest rates by a full point since the election.

Realistically, the present parliament allows for no government except one led by the Popular party. Another parliament might not give Mr Pujol the same chance of influence. He can hardly spurn the opportunity. There is, moreover, much common ground for Mr Pujol's business-oriented party and the Popular party on economic and European policies.



Back on the political map

All of a sudden, Spanish newspapers have been running laymen's guides to Catalonia and essential Catalan vocabulary. It is as if the rest of the country has just discovered, or remembered, the existence of Spain's most productive region.

were attached to neighbouring regions. Others such as the Basque country and Catalonia have some historical basis, rooted in a strong sense of local identity.

Regional governments account for a quarter of public spending and one in four civil service jobs. Since they were set up, public-sector employment has risen from 1.5m to more than 2m. They have also been amassing debts - some \$32bn at the end of last year.

OBSERVER

Seshan and the bullrushes

More than 1,000 of India's top industrialists sat spell-bound yesterday, listening to a speech that hit all the issues - employment, education, poverty, corruption. At one point, the whole Delhi business conference rose to its feet, crying "Indian democracy" amid ringing applause.

Let's play ball

It's one of the little traditions of US-Japan summits that the Japanese prime minister offers the US president a gift - usually a trade concession.

News digest

Haunted by the memory, meanwhile, of the last time a US president sat down to a state banquet in his honour in Tokyo, Japanese officials were taking no chances last night.

Calling the deity

Leading western shareholders in the European Bank for Reconstruction and Development want to see the bank start thinking about working itself out of a job. Indeed, Jürgen Stark, German Finance Ministry state secretary, said the bank's philosophy should be that "the best job it can do in a country is to make itself superfluous."

100 years ago

The Matabele rising Alarmist rumours are becoming the fashion in regard to the Matabele rising, and last night it was actually reported that Bulawayo had been attacked and taken by the natives. We advise our readers not to lend too credulous an ear to all the stories that are being circulated. We need only say that we have before us a private cablegram, dated from Bulawayo on Thursday afternoon, which says: "Outgoing mail destroyed en route. Town in laager. Citizens armed."

50 years ago

Wild trading at Jo'burg Extraordinary scenes were witnessed yesterday morning when market operators surged on the floor to execute orders. In corridors and brokers' offices the public thronged in excitement as prices of leading Free State shares came through on the tickers. Activity was maintained to the close, which was very firm.

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FINANCIAL TIMES

Thursday April 18 1996

LEGAL DEFINITIONS joint venture... Rowe & Maw

EU farm chief seeks to calm beef crisis tensions

By Caroline Southey in Strasbourg, Neil Buckley in Brussels and Robert Peston in London... Mr Franz Fischler, the European Union commissioner for agriculture...

called to address the BSE issue, which will be chaired by Mr Tony Newton, leader of the House of Commons... In Strasbourg, Mr Fischler was warned by some British MEPs...

agreed to a request from Mr John Major, the British prime minister, to discuss the crisis in the margins of the nuclear weapons summit in Moscow this weekend... Mr Fischler is due to meet Mr Douglas Hogg, the British agriculture minister...

Indian poll chief attacks corruption in politics

By Mark Nicholson in New Delhi... An attack on corruption at all levels of Indian political and business life was launched yesterday by the country's chief election commissioner... Mr T.N. Seshan, the senior official responsible for policing this month's poll...

Lebanon accuses Israel of ruining reconstruction effort

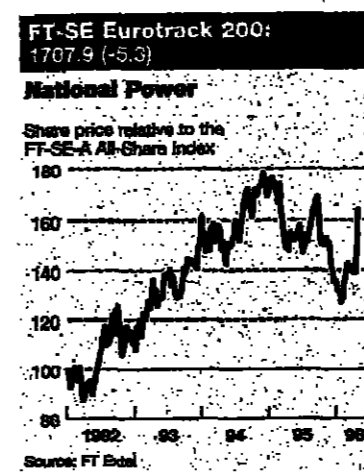
By David Gardner in Beirut... Lebanon yesterday said Israel's week-old aerial and artillery bombardment amounted to an economic war aimed at ruining efforts to rebuild the country after the destruction of the 1975-90 civil war and the 1982 Israeli invasion... "This is a deliberate attempt to destroy confidence in the Lebanese economy and its reconstruction..."

destroyed two of Beirut's main electricity distribution centres, causing blackouts in the capital... Under Mr Hariri, Lebanon's aim is to emerge again as the Middle East financial centre it was until sectarian warfare engulfed the country in 1975... The \$3bn Solidere private company is rebuilding the devastated commercial area of Beirut...

Nations Security Council Resolution 426 of 1978 - requiring Israel to withdraw from all Lebanese territory - as the indispensable prelude to any peace overtures... Mr Saïd said the costs of the latest conflict are escalating, with 400,000 refugees fleeing from the Israeli blitz on south Lebanon... "the poorest areas of Lebanon, which have long suffered the lack of infrastructure, health, education, water - you name it..."

Southern discomfort

Both Britain's generators must be spitting blood. Until yesterday it seemed virtually certain that their bids for regional electricity companies (reco) would be waved through by the government... Now, Southern Company has raised the stakes; ministers are more likely to think twice about allowing the bids now this could mean Britain's biggest generator being based in Atlanta, Georgia... The odds are still on the bids going through, but a fit of Little Englander protectionism cannot be ruled out still...



programmes. It signs long-term contracts with existing clients and is still expanding geographically and into new industries in Germany, where it is developing applications for retailers and construction companies... Despite the recent weakness in its share price, SAP remains highly rated at 34 times this year's earnings, falling to 18 times in 1995... While branded consumer goods businesses from Nestlé to Guinness have seen their business scarred by the recession, French cosmetics giant L'Oréal continues to deliver double digit growth...

Japan links

Continued from Page 1... Japan should allow its soldiers to fight alongside allies abroad... Yesterday's accord confirms Japan is to offer, for the first time, supplies and logistical help to US forces in joint peacekeeping training or on UN peacekeeping anywhere in the world... It calls for more exchanges of technology and equipment and more joint research and development of equipment, such as the F-2, Japan's new jet fighter...

Southern eyes merger

Continued from Page 1... alternative could also be offered to National Power shareholders, funded by an £8bn loan facility the US group has lined up with a consortium of banks... Although there are US regulatory limits on how much money Southern Company can invest abroad, the group has recently secured an increase in these limits, allowing it to forge a deal with National Power... Southern Company has been working on a possible merger with National Power for seven months...

It had hoped to conceal its interest until after the government ruled on the generator's bid for Southern Electric, but feverish speculation in the stock market about a bid for National Power forced yesterday's announcement... News of the US group's interest in the generator sparked political controversy... Mr John Battie, Labour opposition's energy spokesman, said: "We are worried that the structure of such a large group would take it further out of range of the regulator..."

US airlines

The first crop of US airline results confirms last year's rebound in profits. Price competition has eased, passenger volume is holding up and airlines have so far resisted the urge to buy aircraft... The worry is that this more comfortable state of affairs has made it harder than ever to persuade airlines to accept cost cuts... USAir has still to address this problem. And the long-term trend is still for airline passenger yields to fall... But yesterday's announcement by AMR, the parent of American Airlines...

SAP

SAP has come from nowhere so fast - in the past three years sales have tripled while profits and the share price have more than quadrupled... That investors half-expect the German software giant to disappear again... SAP has come from nowhere so fast - in the past three years sales have tripled while profits and the share price have more than quadrupled... That investors half-expect the German software giant to disappear again...

Additional Lex comment

On 1997 forecasts, the shares are trading on a 60 per cent premium to the French market, on the basis of price-earnings ratios... It has always commanded a dramatic premium, but then it used to have growth prospects to match... Additional Lex comment on Smiths Industries, Page 22

FT WEATHER GUIDE Europe today... Five-day forecast... TODAY'S TEMPERATURES... Lufthansa logo and slogan: No global airline has a younger fleet.

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مكتبة الأصيل

السؤال الأول

REGIONS OF FRANCE: Rhône-Alpes and Auvergne

Attention starts to focus on issues about power-sharing

The real debate on decentralisation relates to how better to organise elections, taxing powers and administration at the different levels, writes Andrew Jack

When French politicians, policy makers and academics met in Lille in February this year for the first of a series of high-level discussions on the decentralisation of power from the national capital in Paris, they could not have chosen a more appropriate city.

Mr Pierre Mauroy, the socialist mayor of Lille, was prime minister of France in 1982 when - less than a year after the election of President François Mitterrand - the government passed radical legislation to shift control away from the centre and into the regions.

dissociated himself entirely from the project.

The incident highlights the intensifying competition not only between Paris and the regions, but between the different local levels of administration around the country. It is a conflict that is particularly evident and relevant as France goes through a renewed round of economic pessimism.

So it is no surprise that towns, departments and regions across the country are all making their own competing and contradictory pitches - whether it be for priority in the construction of new infrastructure such as airports, autoroutes and high-speed rail links; or for attracting foreign investors, when each locality claims to be "at the heart of Europe".

The debate about decentralisation has direct repercussions for business. It is no surprise that among its most vocal advocates is Mr Pierre Richard, chairman of Crédit Local de France, a quoted bank specialising in funding for local authorities and the public sector.

Mr Dominique Nouvellet, chairman of Siparex, a capital development fund based in Lyon, laments the drifting of many corporate headquarters from the city to Paris, where he says that a centralisation of decision-making tends to have a detrimental effect on businesses based elsewhere in the country.

There is, however, the notable exception of tyre manufacturer Michelin, one of France's great success stories, which has kept its headquarters firmly rooted in Clermont-Ferrand, the capital of the Auvergne, and exerted a powerful influence on the development of the city and the region.



Old quarter of Montferrand, Clermont-Ferrand

is nothing new. The historian and political analyst de Tocqueville argued that it went back at least as far as the court of Louis XIV, when the country's regional elites went to the court at Versailles to act as royal attendants. His minister Colbert created the first state budget and dispensed funds for development.



Lyon: second-largest city in France and the capital of Rhône-Alpes

As a result, Mr Jean-Marc Ohnet, joint director-general of the Institute of Decentralisation, an all-party research organisation ironically based in the suburbs of Paris, says that the laws passed in 1982 brought about the most important reform since the 19th century.

training and development, for example.

Mr Ohnet claims that "most non-partisans" argue the process of decentralisation has been a success. Local authorities have been given considerably more financial clout, political strength and autonomy. "They have played a decisive role in revitalisation, and in dynamisation," he says.

Yet he adds that in some ways the 1982 legislation did not represent a radical break with the past so much as "a reorganisation of the centralisation" which existed before. An example is the "cessation of mandates", by which French politicians can hold posts at local, regional, national and even European level at once, even though their ability to do each job effectively is open to question.

Mr Alain Juppé, for example, managed to be elected mayor of Bordeaux after he was appointed prime minister last year, not to mention his post as head of the RPR centre-right ruling party. Clearly the local residents believed his power and influence was a trade-off worth taking against his limited time for their city.

Decentralisation has also brought other problems. "It has created too many levels of decision-making," says Mr Ohnet. Metropolitan France has more elected officials than any other country in the world, with mayors for each of its 36,551 communes, as well as representatives for its 96 departments, 22 regions and the national assembly and senate seats in Paris.

At each level there are complex and inefficient local taxes, and different electoral systems, which can create a high degree of fragmentation acting as a bar to reform.

Others criticise decentralisation for the apparent mushrooming in corruption which emerged during the 1980s, as local officials apparently abused their new-found powers to peddle influence, award contracts in exchange for favours, and distribute public funds for their own purposes. There are several instances in Rhône-Alpes alone, not least

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from Mr Noir, the former mayor of Lyon, and Mr Alain Carignon, the former mayor of Grenoble, both of whom were last year found guilty of corruption and pushed out of office despite their continuing legal appeals.

Yet Mr Ohnet argues that such "affaires" are blown out of proportion; that many existed before but have simply been more subject to media attention in the past decade; and that most related to party political funding rather than personal enrichment.

Certainly, the past few years have brought tighter scrutiny from regional public auditors, new laws designed to improve transparency and clarify the procedures for awarding public contracts, as well as a shift away from the 1980s' "easy money" culture.

The real debate on decentralisation at present relates to how better to organise elections, taxing powers and administration at the different existing levels, and how to bring about greater "inter-communality" or co-operation between intermediate areas of perhaps 100,000 inhabitants - a zone of several communes, large enough to cover the working, living and shopping patterns of most people. It is these issues which will become increasingly important, and merit close attention over the coming months.



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سكنا عن الامل

INTERVIEW Charles Millon, president of the regional council of Rhône-Alpes

Important challenges

It has been a hard-working Saturday for Mr Charles Millon, writes Andrew Jack. Before discussing Rhône-Alpes, he has already taken part in a debate with students about the future of national service, visited Bovexpo, the regional cattle fair, and helped inaugurate the Foire de Lyon, an annual trade fair.

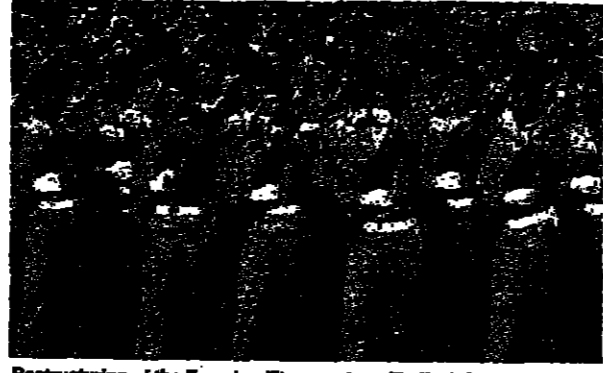
Mr Millon has been mayor since 1977 of the village of Bellej where he was born in 1945. He worked his way through local and national politics to become minister of defence last year, reflecting his long-standing loyalty to President Jacques Chirac.

He has been president of the regional council of Rhône-Alpes since 1988. "There is no evidence that Rhône-Alpes was a historical or geographical unity," he says. "We have had to work hard over the last 20 years to forge the region. Little by little, people have developed a pride of belonging."

He says its strong communication links, the concentration of businesses and educational institutions, and the high quality of life all make it an attractive region for foreign investors.

Increased co-operation between Lyon and other leading cities in the region has helped bind Rhône-Alpes together, he says. He cites a strong network linking Lyon with St Etienne, Grenoble, Annecy, Chambéry and Valence which, he says, was "revitalised" after the election of Mr Raymond Barre as mayor of Lyon last June.

Not everything has been so positive recently. Rhône-Alpes suffered a blow when the French Olympics committee decided to opt for the rival city of Lille as its preferred candidate for the Olympic Games in 2004. Some critics argue that the decision reflected a lack of support from local people, and notably the refusal by Mr Michel Noir, the mayor of Lyon until last year, to endorse a project which had come from Mr Millon and the regional council.



Restructuring of the French military sector will affect the region

Mr Millon rejects the idea. He says that the fact that Rhône-Alpes has already hosted Olympic events three times this century, most recently the 1992 winter Olympics at Albertville, was a negative factor for the committee. He adds that Lille, the rival candidate, could arguably make a stronger case for needing a boost to help the local economy.

One of his priorities for the



Millon: worked his way through local and national politics

region - reflecting a growing debate at the national level - has been the issue of the reduction of working hours, as part of what he calls "the struggle for jobs" in a country with more than 3m people registered as officially unemployed.

Just before Christmas, the government held its "social summit" with the unions and employers' federation as part of the resolution of the strikes that had gripped the country in response to proposed

welfare reforms. Even Mr Alain Juppé, the prime minister, said he was willing to discuss reductions in working hours.

On the same day - in a move that raised some eyebrows - Mr Millon announced in the regional council in Rhône-Alpes his own plans for an initiative.

He wanted local businesses to reduce the 39-hour working week to 32 hours but pay to be pegged at the rate for 36 hours, with the cost of the three supplementary hours picked up jointly by the local and national governments.

The details are only just being finalised, with the first three pilot companies beginning to operate the scheme this month and a total of 50 under study. The subsidy is to take the form largely of tax deductions for the participating groups.

"We need a complete modification of our way of life," says Mr Millon. "It's a vast project, but we either move towards a much more liberal system with strong inequalities like the UK, or we develop structures to ease the tensions if we want a society that is more pleasant to live in."

Mr Millon stresses two other priorities that he has for the region. The first is infrastructure, notably the need for more rail links - both a faster connection between the east and the west of the region to help feed into the Satolas airport - and the "very very important" fight for a TGV high-speed link

from Lyon to Turin, for which feasibility funding was last year approved by the European Community.

He is rather more ambivalent about the Rhône-Rhône canal link, enabling legislation for which was passed last year. "The canal would be useful, but it is essential to take into account the economic and the ecological effects," he warns.

"We have to remove the emotion from the debate." His second priority is regional development, helping to balance the varied levels of economic strength of Lyon and the central part of the region with the less-developed mountainous areas to the east and the more agricultural south. He says he wants to promote greater co-operation between local communities to focus on key projects to aid their growth.

Mr Millon has been the focus of much attention recently because of his role - along with President Chirac - in announcing a radical restructuring of the French military sector, including plans to end compulsory military service in its current form, and to close many bases.

Yet, despite the high concentration in the region of both soldiers and defence contractors likely to be affected by the reforms, he denies that there has been any local backlash against him so far. He stresses the long-term time scale over which the reforms will be brought about, and the importance to be placed on restructuring and aiding manufacturers to switch to other forms of production.

For the future, he says that one of the most important challenges for the region is for it to make itself better known and more tightly integrated internationally. "People in London know Paris, Geneva and the Alps," he says. "But they don't know Lyon, St Etienne and Grenoble."

He emphasises that this June's G7 (Group of Seven) meeting of world leaders is an "excellent" step in the right direction.

PROFILE Euronews

Tough transition in progress

Tucked away in a small industrial estate in the suburbs of Lyon is a small business often mentioned locally with a pride and a frequency far out of proportion to its size. The only clue to its identity from the outside of its nondescript building is the presence of several large satellite dishes on the roof.

Euronews - sometimes described as a European equivalent of the US-based CNN - may only employ about 160 people, but its product is widely broadcast around the continent in a mission to provide up-to-date news with a European focus, 20 hours a day.

Yet the organisation, founded at a time when the philosophy and practice of television broadcasting was extremely different at the start of the 1990s, is now facing a tough transition which is far from over.

The idea from the start was that Euronews would be owned by public television stations throughout continental Europe, aided by the European Community. "It was to provide a counter-balance to CNN, with a much more European focus," says Mr James Baer, the new chief executive appointed at the start of this year.

However, the BBC - already wrapped up in its own priorities and projects for international broadcasting - decided early on not to participate. German public television initially expressed interest but then pulled out, citing the difficulty of getting a licence to broadcast from the Länder - when Lyon won the contest to house the station ahead of Munich.

That left France - with its France 2 and 3 public channels - as the largest backer, accompanied by a further 15 other national broadcasters enlisted as shareholders, from which the rotating chairman is selected.

Euronews has access to all their news and analysis programmes, and in exchange they are allowed to rebroadcast the company's output. The BBC and German

TV also contribute their images free of charge. In addition, Euronews is supplied across the continent to many of its 21m cable television subscribers, and the 2m or so who can view images directly from the European Telecommunications Satellite Organisation's satellite.

"I think it's a great product," says Mr Baer. "The network is appreciated by those who watch it. You see it if you want quick, up-to-date information on the latest news, for perhaps 15 or 20



Serge Tchuruk: decided he wanted to refocus the group

minutes." He says that while television networks often need one or two hours between receiving images and rebroadcasting them in a news slot, Euronews is ready to go on the air within four or five minutes of receiving images.

There are currently services in five different languages - English, French, German, Spanish and Italian. The images are identical on each channel, but Mr Baer stresses that the commentary is not simply a translation but a different text written by teams of journalists for each service.

The group claims there is no political slant in the selection of images and news stories, but there is one explicit editorial bias - to broadcast items which concern Europe and which help aid the construction of Europe. That reflects the identity of Euronews's other backer, currently providing one-third

of the funds, the European Community itself.

The problem for Euronews is that its ownership structure and business philosophy has rendered its situation precarious at a time of tremendous change in the public sector. It does not publish accounts, although executives say it made losses of at least FF50m last year, on a turnover of FF180m.

That comes after assistance, including rent-free buildings, for the first 10 years of its existence.



Suard: forced to resign after being banned from contact

There has been relatively little billing of the national public sector broadcasters for use of its images, and it is currently supplied free of charge to cable operators throughout Europe. There is only scanty information available on the number of people who even watch the service.

Discussion appears to be only just beginning with digital television broadcasters for their new satellite services, likely to be launched across Europe later this year.

Equally, Euronews's commercial activities are under-developed. Until the start of this year, it was possible to buy advertising slots on the programmes for as little as FF3,000 and Mr Baer says there was little attempt until recently to even solicit advertising.

He says that there is currently only an average of

perhaps six minutes of advertising an hour - and much of that is by home shopping services which he wants to reduce - compared with the 12 minutes which is permissible under the French broadcasting regulations with which Euronews must comply.

Against the backdrop of potentially growing financial difficulties, Euronews last year managed to find some limited salvation through Générale Occidentale (GO), the media conglomerate previously owned by the financier Sir James Goldsmith and now part of the French Alcatel Alsthom engineering and telecom group.

GO agreed to inject FF115m in exchange for a 49 per cent stake in the Euronews holding company, with the rest retained by the public broadcasters. It was also given the power to nominate the chief executive - its first nomination being Mr Baer.

But after the recapitalisation last year, Mr Pierre Suard, the head of Alcatel and the man who had seen the growth of GO's media interests, was forced to resign after being banned from contact with his group by a French judge as part of an investigation into allegations of corruption and over-billing of clients.

Mr Serge Tchuruk, who replaced him, decided he wanted to refocus the group, and GO's future involvement with Euronews has since looked more open to question.

Future discussions about programming include the possibility of broadcasting in Dutch and in Arabic - a project which interests the EU given its proximity and the developing links with the region - as well as in Portuguese and perhaps, in the longer term, in Russian.

Mr Baer says he hopes to be able to broaden the number and type of viewers, as well as attract new advertisers. He also anticipates substantial management changes internally. All that, and a target to break even by the year 2000.

Andrew Jack

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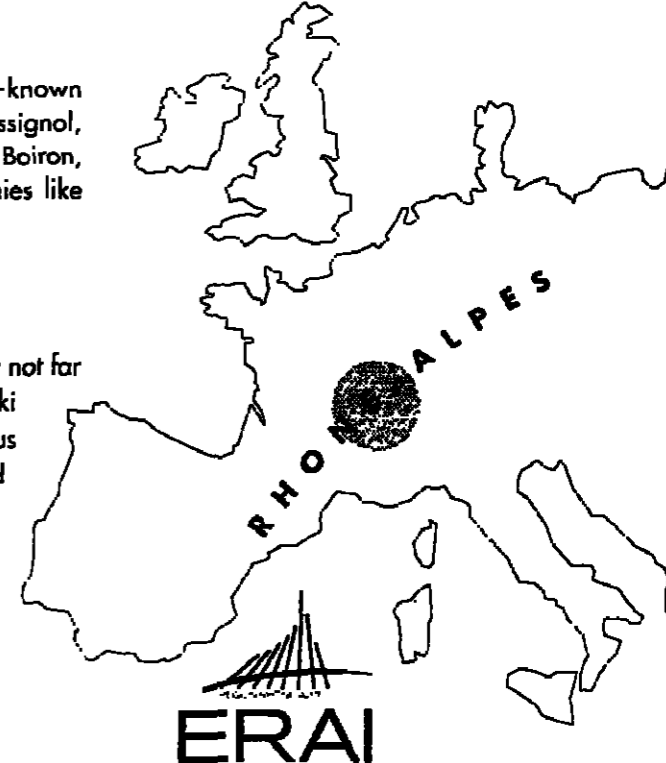
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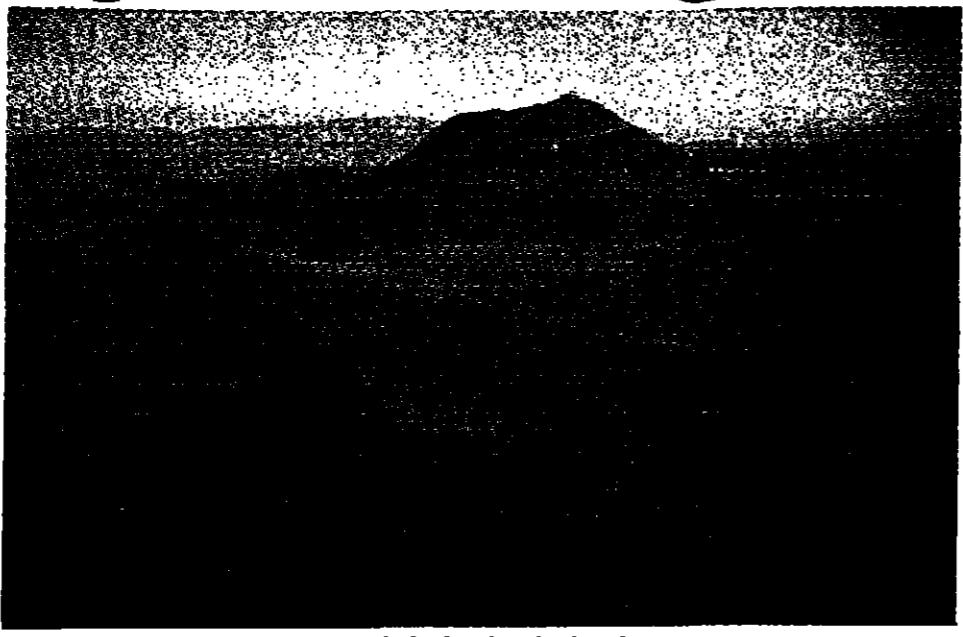
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VI REGIONS OF FRANCE: Auvergne

Tourism: by Andrew Jack

Campaign is hotting up

There are more than 50 historic houses and castles linked by a series of trails as part of the 'route des chateaux'



The challenge is to tempt people to venture further into the volcanic park

Picture: Benchmark Agency

The campaign to turn Auvergne into an attractive tourist destination is hotting up. A new summer advertising campaign recently launched on French television shows a happy couple in swimwear relaxing in the sun next to a lake, rambling in open fields, exploring a chateau and rafting in river rapids.

The region might not be the first location to spring to mind when considering a holiday, but it is certainly doing its best to raise its profile and highlight some of its little-known strengths.

1986 was a better season in Auvergne than elsewhere in France," says Ms Béatrice Rozier, head of promotion of the regional tourism committee. "People are rediscovering rural tourism. They no longer consider being by the seaside as the only object of a holiday. They are looking at culture, and discovering regions they do not know very well."

She says that Auvergne is attractive in summer because it has good weather while being less extremely hot than some southern parts of France. Equally, prices are relatively low - an important factor at a time when much of Europe is suffering from an economic slowdown.

According to Mr Christopher Mignon, a geography professor at Clermont-Ferrand, until the 1980s the region attempted to capitalise on its volcanic landscape to build an image in winter for "mountain tourism". The result, he argues, was "catastrophic".

"Auvergne is not the Alps," he says. "The mountains are lower, there is less snow and sometimes none. It was very risky." Equally, in the summer, the stress was on a type of visitor of relatively modest means, who spent little. There was little infrastructure to encourage the opening of the region to other groups.

In the past 12 years, he says,

there has been a radical change, with the emphasis shifted to "nature and culture" and "the tourism of open spaces" in the summer, aided by the development of organised trails and the improvement of reception facilities.

In winter, it means cross-country skiing as much as the downhill variety more suitable to the Alps, with centres such as Besse, Super Besse and Mont Dore offering considerable possibilities even when there is relatively little snow.

That does not mean that there are not still considerable challenges ahead. Even Mr Valéry Giscard d'Estaing, president of the regional council, concedes that Auvergne lacks adequate tourist accommodation, particularly of top standard. Mr Mignon stresses that many of the visitors attracted to the region are still relatively modest spenders, bringing limited benefits to the economy.

Nevertheless, there is considerable potential. Puy de Dôme, the extinct volcano just to the west of Clermont-Ferrand, with impressive panoramic views on a clear day, is the second most frequently visited natural site in the country, with some 400,000 annual visits.

The challenge is to tempt people to venture further into the volcanic park to the south rather than simply taking a short half-day trip from the

city. The park itself - the largest in France at some 335,000 hectares - contains about 100 volcanoes of varying types.

For the future, one of Auvergne's great hopes lies with an idea from Mr Giscard d'Estaing. He arranged for the purchase of an old military exercise area to the west of Clermont-Ferrand, on the northern perimeter of the Parc des Volcans, which he hopes to convert into a European volcano museum.

The aim is to open the museum, costing some FF400m, by 1999, and Mr d'Estaing believes that more than 500,000 visitors a year will be attracted to the park. The architect has been selected, a name - Volcania - approved as the result of a competition by local schoolchildren, and construction is expected to start in the next three months.

Three-quarters of the centre will be underground. There will be a large projection gallery, facilities to simulate eruptions, a huge artificial volcano, and a garden symbolising the fertility following an eruption.

But there is more to Auvergne than volcanoes. The region boasts a second natural park, of Livradois-Forez, as well as the oak forest of Tronçais, containing some trees reportedly more than 300 years old. It has placed increasing emphasis on sporting activities

including fishing, riding and trekking.

There are more than 50 historic houses and castles, linked by a series of trails as part of the "route des chateaux" developed over the past few years. There are a similar number of Romanesque churches, built in a specific style developed in the region.

There is a "route des métiers", which takes in workshops demonstrating crafts as varied as crystal-engraving, cheese-making, fruit bottling, bee-keeping and the production of foie gras.

There are 10 thermal stations, including the best-known at Vichy, offering a range of health cures through drinking and bathing in spa water, as well as opportunities to simply relax.

There are cultural events, including the festival of la Chaise-Dieu, dedicated to reproducing religious music, and the medieval-style Bird King celebrations.

And finally there is gastronomy, given the region's agricultural strengths and its strong, long-standing tradition of restaurants, which retain an important hold in Paris. Auvergne has five appellations-controlled types of cheese including cantal and Saint-Nectaire. It has even applied for recognition of the quality of its lentils.

PROFILE

Fiercely loyal to his roots

He may be relaxing in the study of his sumptuous mansion in central Paris - the city where he spends a good deal of his time - but Valéry Giscard d'Estaing has a passion in his eyes when he talks about his native Auvergne.

Long involved in national politics and part of the institutions based in the France's capital, "VGE" nevertheless gives the impression of remaining fiercely loyal to his family's long - and political - roots in the region. "I am completely local," he says. "My four grandparents are from the area. I'm happy to live there."

After an early education at the lycée Blaise-Pascal in Clermont-Ferrand, the regional capital, he moved to Paris to complete his schooling before attending the country's most well-known and prestigious elite training centres, the *école polytechnique* and the *école nationale d'administration*.

While he has occupied many national political positions, including President of the Republic, founder and outgoing president of the UDF centre-right political coalition, and minister of economics and finance, he has not abandoned local politics.

He was first elected as a national deputy for the Puy-de-Dôme region of the Auvergne in 1956, became a municipal councillor for Chamalutres just to the west of Clermont-Ferrand in the 1970s, and has been president of the Auvergne regional council since 1986.

More recently, last year he ran a highly-publicised campaign to oust the long-standing socialist mayor of Clermont-Ferrand, eventually losing by a tiny margin. "The town had been on the left since 1945. It has some very difficult suburbs, and has suffered from unemployment," he says to explain his defeat. "I was rather impressed by the vote, it was a very encouraging sign of vitality."

But Mr Giscard d'Estaing prefers to linger on the history of the Auvergne, stressing its depth. He proudly cites its pre-Roman origins, Clermont-Ferrand's role as the place where the first crusade was launched in 1095, and the region's intellectual tradition, reflected in figures such as Blaise Pascal and the foundation of the *maîtrise*, intellectual Jansenist Catholic movement.

"There are some regions in France which are simply a collection of départements," he says. "There are others where there is a strong identity, such as Alsace, Bourgogne, Brittany... and Auvergne."

Mr Giscard d'Estaing points out that all the French kings were born in the area, as was Georges Pompidou, the president of the French Republic whom

Giscard replaced in 1974 after his sudden, unexpected death from cancer. Napoleon was a frequent visitor to Clermont-Ferrand during the 19th century.

He says the region was very poor, and subjected to substantial emigration during the second half of the last century. Many went to Paris, starting initially with shops selling coal and wood, then branching out to develop a strong grip on *cafés* and restaurants.

Today, he says that agriculture remains one of the region's great strengths. "We have the good fortune of producing high quality, value-added products from the land," he says.

He also cites the attractions of tourism, given the region's climate, natural beauty and heritage including notable Romanesque churches and chateaux. Yet he concedes that there is a lack of facilities and insufficient accommodation - and a need to build a high quality infrastructure to support the business.

Mr Giscard d'Estaing emphasises that unemployment remains lower than the national average, and that the region has a disproportionately large concentration

of industry at the expense of services. He also admits that foreign investment "has not so far worked in a very significant way" - something that his critics hold against him.

Others suggest that he has been less attentive to his region than he might have been during his national political career, turning his back on it and offering less help than the current president, Mr Jacques Chirac, in his nearby native Corrèze, let alone François Mitterrand with his grand infrastructure projects in Paris and elsewhere.

Nevertheless, there are widespread local indications of Giscard's presence - including the tax inspectors' training school. Yet he prefers to emphasise his rather more down-to-earth contributions.

"My objective, which has marked my public life [in the Auvergne] was to open the region to the exterior," he says. "It was a mountainous island, and economic development was not possible. I made big efforts for road and air connections."

He cites the autoroute linking Clermont-Ferrand to Lyon, and another which will pass through the region connecting Paris with Bordeaux, due for completion by 2001.

Less positive has been the development of rail links with other parts of the country. The services remain relatively infrequent, long and unconvincing, he says. "They have unfortunately been delayed," he says. "In my view Clermont has not done what was necessary to attract the TGV [high-speed trains]."

He says that among the policies of which he is most proud is an emphasis on education, arguing that Clermont-Ferrand has the highest density of post-baccalaureate students in France, including two universities and five *grandes écoles*, as well as a number of research institutes. Equally, he highlights his efforts in more junior schools, providing them with modern facilities and the latest in computer technology and fibre optics.

Yet he still has at least one large-scale personal project remaining: a museum of volcanoes just to the west of Clermont-Ferrand and drawing on the rich natural heritage to the west of the Auvergne. He claims to be the father of the project, and has guided it through in his role as president of the regional council, insisting that schoolchildren come up with the name of the centre in a competition. The result, announced in March, is Volcania and its centrepiece will be an artificial volcano. That, at least, should prove a tangible, unusual monument to the region's most notable living politician.



Giscard d'Estaing: down-to-earth contributions

Andrew Jack

It is well-proven that it is possible to work and live (happily) surrounded by nature

As the other major European regions, the Auvergne can also lay claim to an international airport, motorways and a position of strategic importance, as this is the truth. Its universities, colleges and research laboratories are just some of the numerous assets which make the Auvergne a key region, and its leading edge industries (health, high technology materials and engineering, transport and logistics, etc.) mean that it is a vital link in many chains.

Furthermore, there is another advantage that no other region can offer you : so much open space and nature just a stone's throw away. An area where the emphasis is placed on culture and leisure. A place where it is pleasant to live, grow up, study and work.

After all, isn't that what's most important ?



Other leaders have already chosen this Auvergne

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- Château d'Eau (France)
- Danone
- Danjop (Japan)
- Fuji Electric (Japan)
- Joubert
- Limagrain
- L'Oréal
- Merck & Co (USA)
- Michelin
- RETI (Netherland)
- Rhône-Poulenc
- Rockwool (Denmark)
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IV REGIONS OF FRANCE: Rhône-Alpes

New technology: by David Buchan

Synergy is the key word

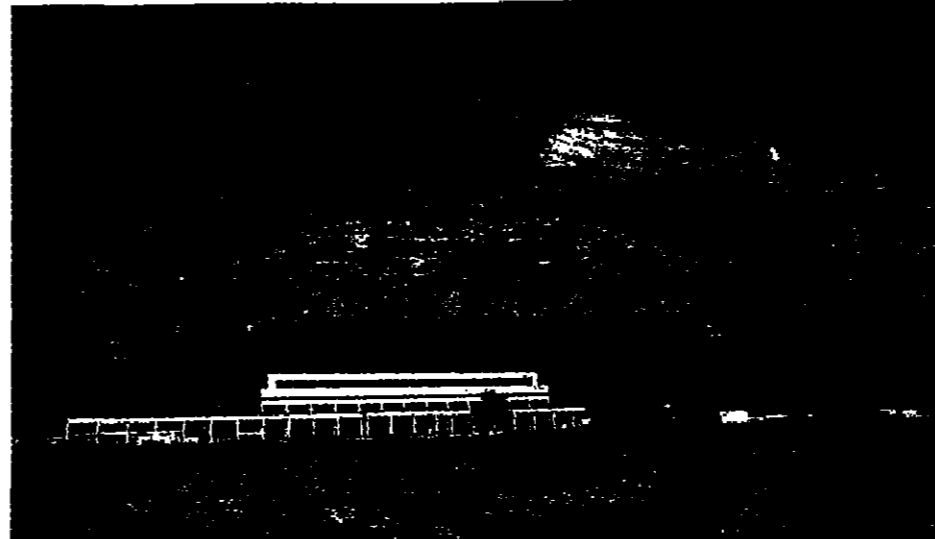
The multiplicity of electronics and computers in the region has made it a natural location for research into 'open systems'

Synergy - a combination that produces something greater than its component parts - can be a pretty empty concept until you see it in action...

national research centres is the Atomic Energy Commission (CEA) employing 2,800 people and the smaller Inria information technology and automation institute.

the 1987 merger of Thomson Semiconducteurs of France and SGS Microelettronica of Italy. SGS-Thomson, called by its employees simply 'ST' for short, is, after the Schneider electrical group and Rhône-Poulenc chemicals, the third-largest employer in the Grenoble region.

work at ST's newer plant at Croixes to the north of the city. Some 750 are ST employees, and among the rest there are permanent teams from CNET, the research laboratory of France Telecom, and from Philips, the Dutch electronics group with which ST works permanently on process technology.



ST's plant at Croixes, north of Grenoble, cost about \$110m to build and houses a further \$600m of equipment

ST also has a separate joint research effort with CNET

manufacturing, the Grenoble site will still remain the management headquarters for video, telecoms, image processing, and programmable products, employing nearly 1,000 people.

Its operations manager is Mr Mike Thompson, 39, a Scot recruited from Immos which ST bought in 1989. Under Mr Thompson, the new Croixes plant - which cost about \$110m to build and which houses a further \$600m of equipment - is now turning out chips worth some \$1bn a year for computer, telecoms and multimedia use.

Grenoble Submicron Silicon Initiative, dubbed Gressil in clear imitation of the wider Joint European Submicron Silicon Initiative (JESSI) in which ST, like Philips and Siemens, is a leading participant.

active, as Mr Joel Hartmann, one of its microelectronics experts explains, in advanced research. ST is striving to make its silicon wafers, at present about 0.5 of a micron, as half-thin as 0.18 of a micron, and if it does, its success will be largely down to Leti's efforts.

conductor design side, in the form of a joint venture with the local part of Thomson Multimedia, the consumer electronics part of the Thomson group. Together, the two have developed the MPEG, which has become the industry standard and whose immediate use is in digital set-up boxes to receive digital satellite TV broadcasts.

Mr Guy Lauvergeon, head of ST's image processing. He admits "this cannot last, because others are coming into the market". But for the present, it has had the effect of making ST and Thomson Multimedia each other's biggest customer.

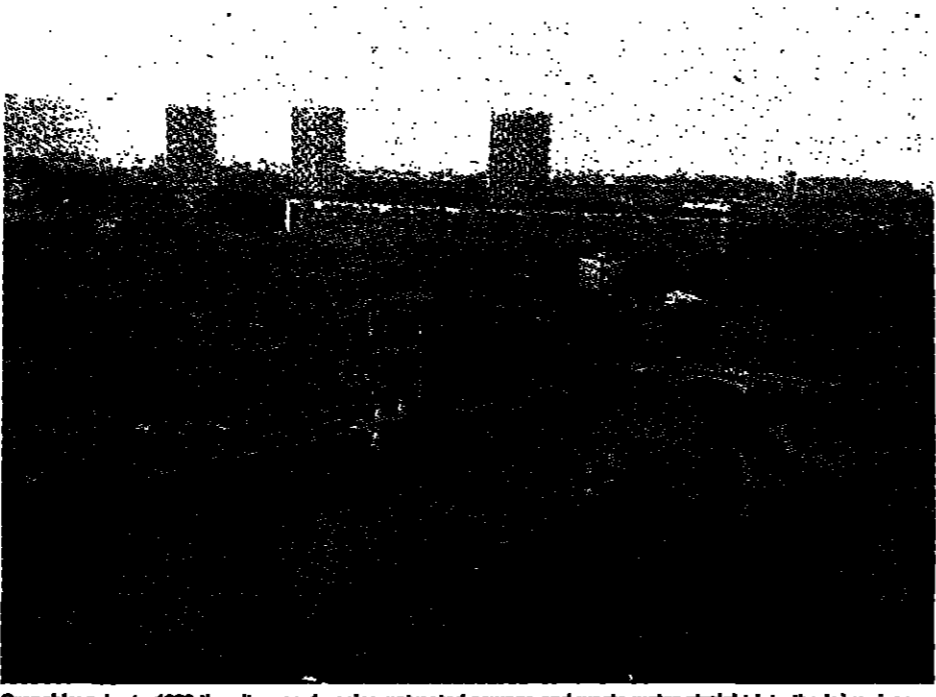
Grenoble's water supply: by David Buchan

Face-saving deal bucks the trend

Removal of the special water 'tax' will allow the price of water to be reduced from FFfr13.60 per cubic metre to FFfr12

Something unique has happened in Grenoble. The city has just renegotiated its water contract with Lyonnaise des Eaux to put majority control of the service back in municipal hands.

local Cour des Comptes that Mr Carignon acted improperly in getting the Lyonnaise to add an extra FFfr1m to the water rates, which was unrelated to water services and which went straight into the city budget.



Grenoble: prior to 1989 the city was dumping untreated sewage and waste water straight into the Isère river

years, 80 per cent of the dividends on profits will still go to the company.

to recoup much on its past investment. However, he does not think Lyonnaise will mind. Grenoble's FFfr50m-a-year water business is "a drop in the ocean for the Lyonnaise", he says.

nuclear engineer, he eventually branched out of public research to head a small private company specialising in simulators for operators to practise controlling nuclear power plants and TGV trains.

Advertisement for Drôme region featuring a compass rose and text: "DROME: TIME IS WHAT YOU MAKE OF IT. The Drôme - an area of great natural beauty and mild climate, strategically located between the Rhone, Switzerland and the Mediterranean. Where time is there to be savoured."

PROFILE Valence

Focus on high-tech

Valence, the capital of the Drôme department, always has plenty of people passing through. It lies on the north-south A7 highway, Europe's busiest, and is the starting point for the A49 for Grenoble, Switzerland and Italy and points further east and south.

Thomson and Aerospatiale to put seven relatively small electronics companies which they owned into a joint company. At the outset it was split equally between the two parents, but in recognition of its greater affinity with the nature of Sextant's business, Thomson raised its stake in Sextant to two-thirds two years ago.

Airbus aircraft or Eurocopter helicopters, but Mr Galle says that by 1998 "most of our exports will be direct to foreign customers".

to get more companies to establish themselves in the city. His margin of manoeuvre is narrow. "The city's debt is high, but we can't raise taxes because they, too, are high".

equipment for the rest of the group.

Thus, Sextant is refitting the Franco-German Transall with navigation equipment, and providing the central navigation system for the Franco-German Tiger helicopter and for the Ariane 4 and 5 space rockets, while providing global positioning systems for Alitalia.

So Mr Destot has other ideas in mind to attract investment. In particular, he wants to see the TGV line extended from Lyon's St-Jas airport to Grenoble, so that his city will be only half an hour by high-speed rail from a big airport.

Bombardier of Canada chose Sextant over US alternatives

David Buchan

Advertisement for Rhone-Alpes Region listing hotels in Lyon, Grenoble, Annecy, and Chambéry.

Advertisement for ENF (Compagnie Nationale du Rhône) with text: "INVEST FOR YOUR ENTERPRISE. The Compagnie Nationale du Rhône and its industrial and port development division announces work in progress of a multi-function logistical platform at Pagny - Saône Valley - , in Burgundy, with an area of about 150 hectares."

Handwritten Arabic text: "سكوا من الأصل"

WORLD WATCH AND CLOCK INDUSTRY

Fewer makers, more sales

Michael Balfour surveys the global wristwatch manufacturing industry, as the World Watch, Clock and Jewellery Show opens in Basel today

The American social philosopher Lewis Mumford wrote: "The watch, almost more than the steam engine, was the real protagonist of the Industrial Revolution." Certainly, there is today of such importance to our lives that most who can afford to possess a wristwatch do so - 1.100m were sold last year around the world - and many people have more than one.

The practice of wearing wristwatches dates back only to the first world war when they were introduced for synchronisation in the trenches. They never left the wrist again. Before then the habit was considered foppish, and the writer Oscar Wilde did little to further the appeal of the early "wristlet" watches by strapping a pocket watch over his velvet cuff.

After the war manufacturers on both sides of the Atlantic combined the mass production techniques introduced during the war years with the creative virtues of the Art Deco style. Thus the wristwatch became both beautiful and useful and, as such, came to be seen as an acceptable jewellery item for men to wear.

Since then, the trade has contracted dramatically in terms of numbers of manufacturers, while unit output has continued to rise. Today there are no volume manufacturers in either the US or the UK. But large numbers of timepieces are still produced in Russia and India. China, Hong Kong, Japan and Taiwan all make watches in vast numbers, almost all powered by quartz movements. Many of these countries are also the source of counterfeit products, a global problem that internationally ratified policies are attempting to combat.

Expansion is setting the tone at Basel '96, this year's World Watch, Clock and Jewellery Show, Europe's largest and most widely attended trade fair for the jewellery industry. The show, which runs from today until April 25, has plans to increase its space through a substantial rebuilding programme.

With this in view, president of this year's exhibitors' committee, Mr Jacques J. Duchêne, director of external relations at

Rolex, will no doubt be addressing himself in the months to come to that perennial problem for all top trade exhibition organisers: how to control the numbers and quality of exhibitors. Mr Duchêne succeeds Mr Raymond Weil, from the company that takes his name.

Participating in this year's show are 2,271 exhibitors (watches and clocks 595; jewellery 1,324; related industries 352). Of these, 22 per cent of exhibitors are from Germany, 20 per cent from Italy, 18.5 per cent from Switzerland, 11 per cent from France, and 3.5 per cent from the Iberian peninsula. This year Australia, China and Mauritius are exhibiting for the first time.

While the pattern of trade for 1995 remains largely unchanged from recent years, Switzerland - for centuries the traditional leader in watch-

making - has watched its margins coming under increasing pressure in its export markets, because of the strength of the Swiss franc.

After 10 consecutive years of improvement, the value of Swiss watch exports, which account for 8 per cent of value of all Swiss goods sold abroad, fell by 3.6 per cent in 1995.

Similar pressures affecting other industries are one reason for a Swiss government forecast that the economy would grow by only 1.25 per cent in 1996, a figure already thought to be optimistic.

Nevertheless, according to estimates by the Japan Clock and Watch Association, for the first time in 20 years Switzerland overtook Japan in 1995 as a watch producer, with 38m complete units against 30m. But leadership in the highly automated manufacture of movements easily stays with Japan, with 41m against Switzerland's output of 97m.

The dominant centre for assembly, however, is Hong Kong, where approximately two-thirds of the watches produced worldwide in 1995 were put together.

Rapid growth in demand in neighbouring China can only help to consolidate this position. At the recent Asia-Pacific Economic Co-operation summit in Osaka, Chinese president Mr Jiang Zemin announced that China is reducing import tariffs by a minimum of 30 per cent on more than 4,000 items during this year. These items

include watches, and Hong Kong is the main conduit for their entry into China's vast markets. Last year some 120,000 wristwatches were sold there daily. Small wonder that China is exhibiting at Basel for the first time this year.

The "quartz revolution", engineered by Japan in the early 1970s, has meant that a watch can be bought for \$1 which is as accurate as a model costing £10,000.

Nevertheless, as watchmakers know full well, most people perceive that they are judged by what they wear on their wrists. "The average selling price of watches has risen quite dramatically," says Mr Ian Dahl, the newly appointed group chief executive of the Asprey Group.

"People are clearly purchasing watches both as an item of jewellery and as an investment from a collector's point of view. Specialist brands such as Ebel, Jaeger-LeCoultre, Patek Philippe and Chopard are all doing particularly well. We also have good success with Rolex," Mr Dahl says.

"The industry in general is set to remain buoyant. There is a developing interest by the consumer in quality watches and there is a surge of demand for high-quality Swiss mechanical movements," he adds.

"We are selling the 'Swiss Made' label as a clear indication of quality and this appeal certainly impresses the customer who is looking for reliability, discreet fashion and not purely an innovative watch," says Mr Stuart Laing, managing director of Laing the Jeweller, with outlets in Glasgow and Edinburgh. The company acquired Parkhouse & Wyatt in Southampton last year and Mr Laing is also chairman of the Houlden Group, independent quality jewellers which, like independent hoteliers, have come together for joint buying, marketing and training services.

Mr Laing says that the sports watch is still favoured by the younger buyers. "We see Adidas and Ellesse filling price points as TAG Heuer jumps up the price league."

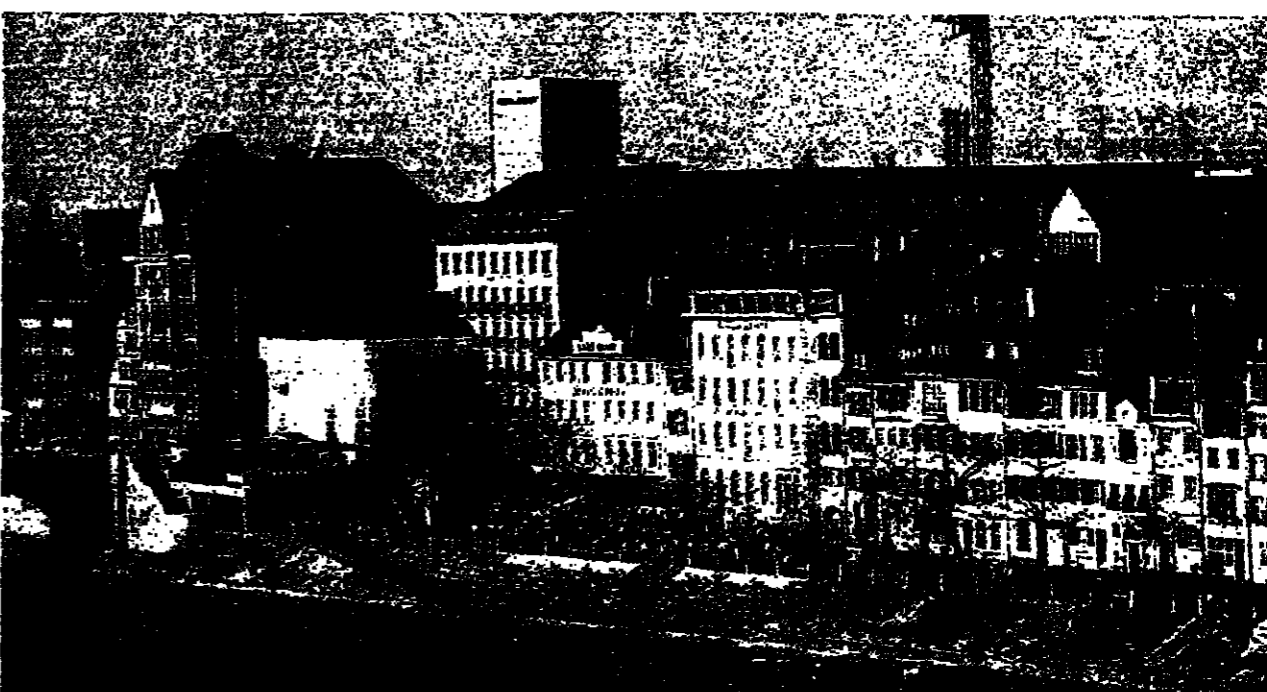
He also reports that the all-steel product is enjoying growing popularity. This year in Basel, both polished and brushed stainless steel products are everywhere. Jungmans and Rado, in different ways, make effective use of ceramic cases, and more will be seen of this durable metal substitute in the coming months.

Branding is all in the watch trade. Just as, for example, LVMH, the luxury goods group, controls champagne labels such as Dom Perignon, Moët & Chandon, Veuve Clicquot, Pommery, Ruinart, Mer-

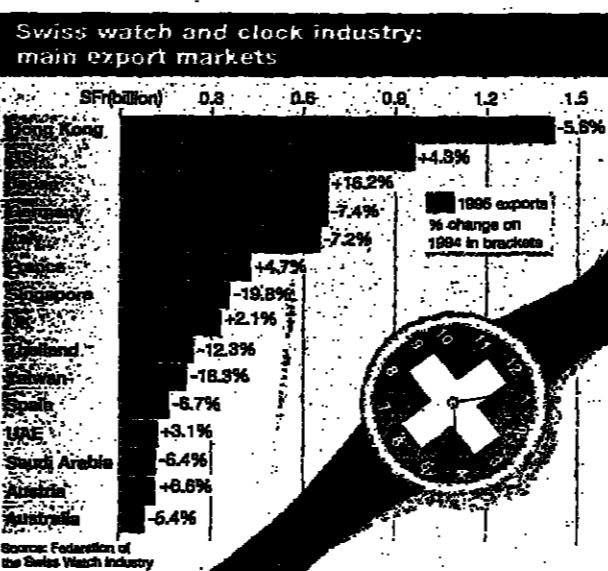
sier and Carand-Duchêne, so the quoted Vendôme Group has watch brands as diverse as Alfred Dunhill, Baume & Mercier, Cartier and Piaget.

This diversity was demonstrated at its recent annual Salon International de la Haute Horlogerie in Geneva. Prominent features of the event were Alfred Dunhill's new versions of its successful Millennium chronograph, now in a combination of brushed and polished stainless steel, and the Lodi-nium Collection, to which a polished stainless steel version has been added.

Michael Balfour researched and wrote all the articles in this survey. He is contributing editor of International Wristwatch, and author of The Wristwatch Almanac (Eric Dobby Publishing Ltd, 12 Warrford Road, Orpington, Kent BR6 6LW; £8.99).



Basel skyline: the Basel '96 show, which opens today, is a key date in the international watch and clock industry's year



Swiss firms defend brand

The country's manufacturers are guarding their long-established reputation fiercely

The phrase "Swiss Made" which appears on the dials of Swiss watches is one of the oldest examples of national branding. The two words comprise a registered and fiercely-protected trade name which can be used only on watches and clocks containing at least 50 per cent Swiss-manufactured components by value. To qualify, the watches must have been assembled and started up in Switzerland. Their manufacturers are also subject to official technical inspection.

According to the Federation of the Swiss Watch Industry, the value of Swiss watch exports in 1995 amounted to Sfr7.87bn (\$6.3bn). This figure - 8 per cent of the total - made watches Switzerland's third biggest export.

The country's watchmaking industry has a long history.

At one time more than a quarter of the population of Geneva were involved in watchmaking

The Watchmakers' Guild of Geneva was established on January 19, 1601, and was strictly governed by a set of rules called the *Ordonnances et Règlement sur l'Etat des Orlogiers*. Following the revocation of the Edict of Nantes in 1685, Huguenots were forced into the Jura mountains, in and around La Chaux-de-Fonds. Geneva became a kind of Protestant Rome where craftsmen forbidden to make jewellery turned their skills to the *Fabrique* - watchmaking.

During the course of the last half of the 17th century, the old practice of making one watch in a single workshop slowly died. In came individual casemakers, spring makers, key cutters, lapidaries, glass makers, balance cock decorators and, by 1679, makers of complete *ébauches* (raw watch movements, ready for specialist refinements). By 1786 Geneva was producing about 50,000 pocket watches a year. More than a quarter of the city's 16,000 inhabitants were engaged in some aspect



Old skills, new markets: a watchmaker at work at the Blancpain watch factory near Lausanne

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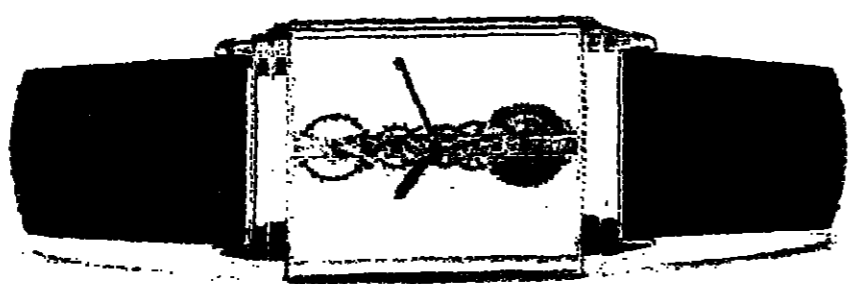
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Collecting and investing

Status drives demand

Collectors have to do thorough research to be sure of getting value for money

The best timepieces are beautiful, useful and portable. They are also increasingly popular as investments.

The reputation of the manufacturer is vital to this kind of demand. They have to be Swiss, long-established makers of mechanical pieces, and sparing in their use of new issues of this kind.

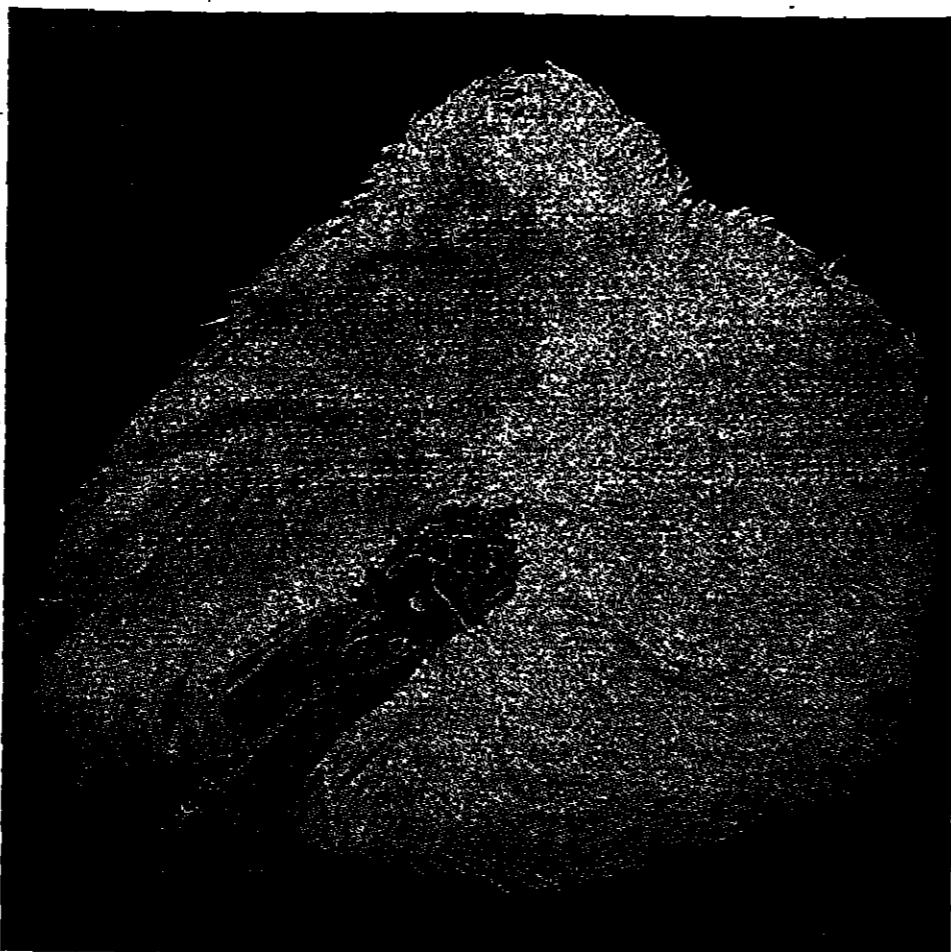
Commemorative wristwatches, engraved appropriately, soon create their own markets. Sometimes watchmakers choose to celebrate, say, their 150th anniversary, by making 150 copies of the same watch in the three different colours of gold - pink, white and yellow.

Each watch bears a unique number in the production run, then it can quickly - to borrow a piece of stock market terminology - trade at a premium to its original sale price.

The importance of the manufacturer's reputation to a watch's value is confirmed by the tendency of watchmakers to issue timepieces celebrating anniversaries of their own.

Cartier will celebrate the 150th anniversary of its foundation in this way next year. The company, one of the world's great luxury goods brands, has just announced the launch of the Tank Française watch. It is a new line, available in four versions, which distinctly and intentionally will derive its inspiration from the original Cartier Tank wristwatch, which first went on sale in 1919.

Dealers in classic watches find that their customers are often the original manufacturer



An antique ostrich-feather fan, with a watch set into the handle, to be auctioned in Geneva by Antiquorum

of the pieces, as they strive to build up their own in-house museums. Patek Philippe, for example, devotes a considerable budget to buying the few missing pieces needed to complete its remarkable collection.

Would-be collectors and investors can do no better than to preview watches on offer in the salerooms of leading auction houses. Experts are on hand during previews who will give freely of their knowledge and advice. Small regional auction houses may also produce the occasional bargain for the dedicated collector.

An inquiring mind is essential to the watch buyer. If a complicated timepiece seems attractive at its pre-sale estimate then it is important to request a demonstration of its various functions.

Sale catalogues are the text

books of a horological education, and the "viva" of attending an auction on the day can be an enlightening and often money-saving experience. Buyers' and sellers' premiums, with their tax implications,

Dealers in classic watches find that their clients are often the original makers

must be taken into account when contemplating a purchase. Ultimately hammer prices reveal the market popularity of particular models.

Collectors and investors without access to good salerooms can instead make use of local second-hand watch dealers and one-day markets. These may produce some bargains, but it is essential to ask questions. If you do decide to buy a timepiece, request a proper receipt, complete with watch description, and the original box and certificate too, if possible, particularly if a limited edition is involved.

Quartz put paid to many old firms

Continued from page 1

of horology. A guild apprenticeship system existed which was not dissimilar to that of London's Worshipful Company of Clockmakers, which was founded in 1631.

Watches and clocks were soon being assembled by cabinet-makers (outworkers), and, in this respect, not much has changed. Throughout the high-sided valleys of north-west Switzerland, thousands of families maintain old skills, traditions and pride, and many of the original enterprises were set up then, as commemorated in the "depuis" dates proudly engraved on their products.

The so-called "quartz revolution" in the early 1970s badly disturbed the Swiss watch trade. Many makers did away with their old machinery and tools for mechanical watch manufacture, and, attempting

profiles of leading watchmakers and their products.

Clock collectors often read the Horological Journal of the British Horological Institute, which has been published every month since 1858. The more recently-established Antiquarian Horological Society also produces a journal.

Surprisingly there is no association, club or society for wristwatch collectors in the UK, but their interests are well served in America by the National Association of Watch and Clock Collectors and its bi-monthly Bulletin.

What to collect? The best bets, which act as hedges against even the slightest monetary inflation, are either individual brands - which must be admired and well-researched - or a theme.

Limited editions are expensive to buy into, thanks to the strong demand they enjoy. Other popular themes to pursue, sitting pockets of all depths, include wristwatches that feature car radiator grilles and cartoon characters, early Swatches, 1970s LED pieces, Masonic and first world war military watches.

Contact numbers: Antiquarian Horological Society - 01580 200155, British Horological Institute - 01636 81375/6, International Wristwatch - 0171 736 8670, National Association of Watch and Clock Collectors Inc - 001 717 684 8261 (UK codes).

to compete with the quartz-driven timepieces from the Far East, disappeared.

The best of the survivors have preserved their markets and a number of them are members of the Association Interprofessionnelle de la Haute

Horlogerie (AIHH). This is a Swiss-based, independent, non-profit organisation, founded in 1983 under the guidance of its president, Mr Franco Cologni.

Mr Cologni, a vice-president of Cartier International, explains why he believes a defence of quality watchmaking through the AIHH is necessary: "Any close look at the market trends reveals the emergence of many disturbing factors, including a super-abundance of supply, the frantic pursuit of profitability, unfair trading practices, such as the parallel market or unbridled discount offers, and the vanishing of sales skills specific to haute horlogerie."

The main focus of the Swiss watch industry's long-established instinct for self-preservation, the Federation of the Swiss Watch Industry (universally known after its French title, as the "FH") is the result of a merger in 1983 between the Swiss Watch Chamber and the Federation of Swiss Watch Manufacturers.

Based in one of the great watchmaking centres, Biemme, the FH currently has about 550 members who together represent more than 90 per cent of all Swiss watch and component manufacturers.

Counterfeiting

Fakers' time is running out

Counterfeiting of luxury watches may not go on flourishing for much longer

Good counterfeit wristwatches find buyers because they look like the genuine articles, show the time accurately and are very cheap. The counterfeiters are so successful that last year their sales accounted for about 10 per cent of the global value of the wristwatch trade.

Along Bangkok's Silom Road, in the Patpong area, three words ring out above the hubbub, day and night: "Rolex, TAG, Cartier... Rolex, TAG, Cartier". You need no Thai and only a few pounds to buy one. All you do is point to a model depicted in the legitimate manufacturer's own brochure, which is on display, and out comes a counterfeit version... no box, no certificate, no receipt... but a purchase which will fool many and even last a year or two.

Counterfeit wristwatches generally feel lighter than the real thing. Even the best lack attributes of the originals, for example the name "Cartier" embedded in the number VII on the dial of the octagonal Santos; Gucci's double GG logo on the crown of its 9000 models; the five-digit model number, which should be between the case lugs at 12 o'clock on a Rolex; or the words "T Swiss Made T" at 6 o'clock on a TAG Heuer.

Fakes are going unmarket, however. Counterfeiters are now producing high-quality genuine 18ct gold cases to house their movements. Mr Marc Frisanco, who heads Cartier's intellectual property division in Geneva, comments: "They're getting more ambitious. It's a very serious problem."

This company has so far initiated more than 2,500 legal proceedings against fakers around the world. In 1995 it spent more than \$2m protecting about 8,000 trademarks, 3,000 registered designs and 2,000 patents in some 125 countries.

Until recently counterfeiters only produced copies of products actually manufactured by the target company. But now



A counterfeit Gucci 3000 series (right) and Gucci 9000 series (left)

the unwitting or unscrupulous can welcome fake Cartier ties, toothbrushes, shoes and condoms into their lifestyles - items which Cartier itself does not make.

Piaget, like Cartier part of the Vendôme group, discovered a complete fake Piaget shop in south China not long ago - resplendent in the company livery and well stocked with counterfeit fragrances, pens and watches.

Manufacturing jewellers exhibiting at the Basel '96 exhibition, which opens today, have been understandably reluctant to send out illustrations of their new lines in advance. They know that one picture in the wrong hands means instant forgeries from some far-off sweat shop.

It has been estimated that about 95 per cent of all counterfeit timepieces arriving in Europe do so through Bel-

gium. Antwerp jewellers carry varied stock. The counterfeits mainly come from China and South Korea, and are immediately sold on to backstreet engravers all over the continent.

The EU is going to have to face up to the uncomfortable fact that Italy and Spain also produce large numbers of convincing fake wristwatches. The frontiers of member states are falling just as demand for the fakes is growing, making life easier for smugglers of counterfeit watches.

In the UK the Anti-Counterfeiting Group is very active in combatting brand pirates. It has produced a handbook for trading standards officers and urges strong law enforcement whenever a proven case of the manufacture or sale of counterfeit watches is discovered. A large number of international bodies is fighting the

fakers, too, including the World Trade Organisation; the Manufacturers' Association; the International Association for the Protection of Industrial Property; the World Intellectual Property Organisation, and the International Anti-Counterfeiting Coalition.

The Biemme-based Federation of the Swiss Watchmaking Industry, long known internationally as the "FH", which represents the interests of about 90 per cent of all Swiss watch manufacturers, also has an active anti-counterfeiting department.

Mr Alain Dominique Perrin, president and chief executive officer of Cartier, spoke for all manufacturers when he told delegates at a conference on brand piracy in London last September: "Counterfeiting is robbery."

The tide appears gradually to be turning against the fakers. The role of intellectual property rights within the world economic order was confirmed in Marrakesh in April 1994, when 116 countries ratified the Uruguay Rounds agreement.

The registration of trademarks in China is growing rapidly, following successive implementations of its Trademark Law of 1983. The State Administration for Industry and Commerce (SAIC) approved the registration of about 80,000 overseas trademarks from more than 80 countries last year. "The number is not very big", reports Mr Zhang Tianji, a SAIC official, "but the annual registration of overseas trademarks has kept on soaring in recent years."

Registrations in 1991-1995 almost equalled those in the previous 40 years. The Hong Kong Watch Manufacturers' Association was established in 1968 and operates a design directory intended to reduce counterfeiting. Hong Kong's many manufacturers believe that HK\$300 is not a high fee for protection against imposters. Even in Thailand, the ranks of the vendors of Silom Road are thinning. In 1988 there were some 7,000 such street retailers. Now there are only around 100.

The UK's Anti-Counterfeiting Group can be contacted on 01494 49165.

BVLGARI advertisement featuring a watch image and text: "Seuba watch in 18 kt gold and stainless steel with leather rubber strap. Automatic movement. Water resistant. Also available in steel or with bracelet in gold and steel. Swiss made." Includes addresses for Harrods, Harvey Nichols, and other locations.

Quartz put paid to many old firms advertisement. Text: "The industry in Switzerland has a well developed instinct for survival. Horlogerie (AIHH). This is a Swiss-based, independent, non-profit organisation, founded in 1983 under the guidance of its president, Mr Franco Cologni. Mr Cologni, a vice-president of Cartier International, explains why he believes a defence of quality watchmaking through the AIHH is necessary: 'Any close look at the market trends reveals the emergence of many disturbing factors, including a super-abundance of supply, the frantic pursuit of profitability, unfair trading practices, such as the parallel market or unbridled discount offers, and the vanishing of sales skills specific to haute horlogerie.'"

Audemars Piguet advertisement. Text: "AP AUDEMARS PIGUET The master watchmaker. 'OUR AIM IS TO CREATE THE FINEST WATCHES IN THE WORLD.' Jules-Louis Audemars, Edouard-Auguste Piguet, 1875. For more than 120 years, the richness of our vision has never ceased to fascinate. But for the true connoisseur, there is more to the magic of our watches than that. Much more. For, above and beyond creativity and craftsmanship, an Audemars Piguet reflects the innermost values of the person who wears it. Compared with that, time is purely incidental." Includes a large watch image and contact information.

Antiquorum advertisement. Text: "Antiquorum AUCTIONEERS SINCE 1914. AUCTION IMPORTANT COLLECTORS' WATCHES WRISTWATCHES AND CLOCKS. Saturday 20th and Sunday 21st April 1996. Geneva - Hotel des Bergues, 35 quai des Bergues. Exhibition at ANTIQUORUM from Thursday 18 April, 2, rue du Mont-Blanc - Geneva (10 a.m. - 6 p.m.). The most important vintage wristwatch ever made. Unique platinum Patek Philippe minute repeating wristwatch with perpetual calendar and moon phase, 1959." Includes a watch image.

4 WORLD WATCH AND CLOCK INDUSTRY

Sports watches

Victors add kudos

Manufacturers are keen to give their products the appropriate sporting image

It is an Olympic Games year again. The world's greatest sporting occasion, which this year will be held in Atlanta in the US, has already produced a lot of marketing activity from Swatch, the brand that has been appointed official timekeeper to the games. Swatch belongs to the giant SMH group, and operates within its Swiss Timing division which also contains Longines and Omega. The latter companies have been timing sports events for decades, and Swiss Timing will attend over 170 big sporting events this year.

When the games begin in July, Swatch Timing, as the division will be renamed, will be using a video system called Scan O' Vision, with new digitised finish-line technology, to

transmit colour images directly to giant screens in the stadium and to television sets all around the world.

Among the wristwatches produced by Swatch to commemorate the Games is the Olympic Legends range. These have been designed in close association with ten famous athletes, including the runners Selid Aouta and Sebastian Coe, and the swimmer Mark Spitz.

Many other wristwatch manufacturers are expanding their sports ranges. They have also caught on to the fact that chronographs and other multi-function gentlemen's watches are increasingly appealing to the ladies sector. Smaller ladies watches and the rarer mid-sizes do not often carry the added functions of gentlemen's watches.

Basel '96, the exhibition that opens today, demonstrates that there are timepieces with added functions for most outdoor leisure and competitive

activities. Casio's G-Shock Altimeter is targeted at climbers, as is Citizen's Altimeter. Sailors have long been familiar with Corum's Admiral's Cup Marées stainless steel and 18ct gold automatic model. This uses subsidiary dials to give information on: the lunar cycle, tide coefficients, high and low tide, and has a date window at 3 o'clock. The nautical pennants used in the international maritime code act as time markers.

Corum is promoting its black dial version, in a range which accounts for some 54 per cent of Corum's annual output. Mr Jean-René Baumgart, chairman of the family-owned manufacturer, says: "Our creative philosophy assumes that watches are indispensable as instruments to measure time. So let them also be beautiful and remind us of good times."

Atlantic, a recently revived sporting watch brand, offers the Worldmaster range (with ladies' sizes), the Mariner Automatic Diver Chronograph,

and the Skipper Automatic Regatta Chronograph. All have Atlantic's logo, a pair of compasses, at or near 12 o'clock. The Catamaran brand of Montres Consul is marketing itself heavily in association with motor, snow and water sports. Golfers are meanwhile the target market for Cartier's 18ct yellow gold Pasha de Cartier, which can keep and display four separate scores at the same time.

The recently refinanced TAG Heuer wristwatch company represents a successful marriage of the old and the new. Its progenitor, Techniques d'Avant-Garde, a technology investment company started in 1977, took the old 1980 Edouard Heuer watchmaking concern in hand in 1986, and the marque has now become the world leader in professional sports watches.

The brand name is constantly on-screen when Formula One Grand Prix motor

racing is being televised, just one manifestation of the company's annual \$100m marketing and advertising budget. TAG Heuer spends \$15m alone on sports sponsorship.

The company's new 2000 series, a refinement of the original 1982 model with its 13-sided bezel, has the dubious distinction of being the second most counterfeited watch after Rolex variants. Still on the motor sport theme in Basel this year, TAG Heuer is presenting its Carrera B chronograph, with its prominent push buttons and black dial.

Breitling's watchmaking pedigree has been involved with the great outdoors since 1884. Its famous 1952 Navitimer put the brand on the horological map. Last year at the Basel Show, the Breitling Emergency was one of the undoubted stars. This year the world's largest makers of mechanical chronographs has rolled out no fewer than five limited editions. These are:

- a stainless steel Red Arrows chronograph, a total of 1,985 pieces of which have been made, commemorating the year the Royal Air Force display team was set up;

- the Breitling Aerospace, which honours France's equivalent of the Red Arrows, the Patrouille de France - there are 1,983 pieces, again commemorating the year of establishment;

- the pink gold Navitimer Montbrillant, endorsed by the US Navy's Blue Angels aerobatics team;

- the Navitimer 92, chosen by the US Navy's Fighter Weapons School;

- an issue of 1,000 hand-wound mechanical Navitimer Commaux watches identical to the one worn by the famous astronaut Commander Scott Carpenter.

The Yuri A. Gagarin Cosmonauts Training Centre has meanwhile selected the Official Cosmonauts Chronograph by Fortis as the official timekeeper for the Alpha 9001 space station project being developed by Russia, the US, Canada and ten European countries.

Closer to earth, Revue Thommen's new Airspeed Collection is designed for use by aircraft pilots, boasting a quartz movement inside a titanium case. Gucci's 5500, meanwhile, is designed to appeal to the equestrian world with its two intertwined horseshoes on the bezel and case fastenings. It is quartz driven, with a date window at 3 o'clock.

Hermès is unveiling its Héralds watch at Basel '96. Its most distinctive feature is a leather strap which extends right around the case. The watch is water resistant to 30 metres.

FOCUS Jewellery

Gentlewomen prefer diamonds

Events like Basel '96, which opens today, prove that the watch, clock and jewellery trades are just separate parts of a whole retail scene. This year there are 1,324 exhibitors in the jewellery halls, of whom 353 come from Italy. There are 348 representatives from Germany, 98 from Hong Kong and 47 from the UK.

According to recently-published World Gold Council statistics the UK has become the largest European market in volume terms for plain gold jewellery, at 40m articles, well in front of Italy, which absorbed 27.5m pieces. Almost 29 per cent of UK adults purchased plain gold jewellery in 1995 - the same percentage as in the two previous years. These statistics break up as follows: earrings 35 per cent, necklace 22 per cent, rings 20 per cent, wristwear 10 per cent, and "other" 13 per cent.

National buying habits vary. In Greece, for example, earrings make up less than 10 per cent of its annual jewellery sales. In France and

Germany rings take the lion's share of the market, while in Italy, that most fashion-conscious of nations, "other" items have the biggest share.

Consumer attitudes to jewellery in the UK are revealing. About 68 per cent of women would like to own more jewellery than they possess - a far higher figure than in other European countries. UK women also feel that gold jewellery is one of the easiest gifts to buy, and rate it more highly than other Europeans. They also think jewellery is associated with personal memories to a greater extent than European women.

In the UK the interests of the jewellery trade have been guarded by the National Association of Goldsmiths since 1894, and its grant of arms can be seen in more than 3,000 shop windows. Mr Jack Ogden, its chief executive officer, says: "Anybody can become a jeweller, but not every jeweller can become a member of the NAG."

The annual UK sale of 40m plain

gold items is far greater than the figure for gem-set pieces which is \$m - but ultimately the glamour lies with the latter. Exhibitors in the jewellery halls in Basel '96 include suppliers of stones, parts and tools, and are an integral part of watchmaking at companies such as Bulgari, Tiffany and Piaget. Most exhibitors are showing complete pieces.

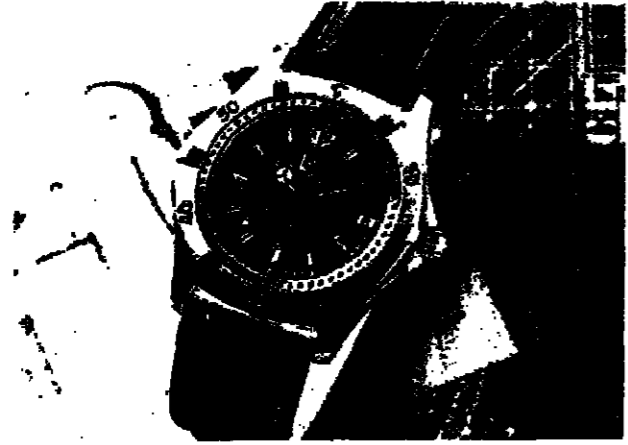
Pforzheim, in the Black Forest, has been a jewellery centre for many centuries. Chopard, noted for its Happy Diamonds line of watches and jewellery, has a big presence there. Companies such as Egon Schofer, showing in Basel, has made knitted mesh and silk mesh chains in gold, platinum and stainless steel since 1904. This year throat torques in stainless steel are proving to be popular.

Boode and Dunthorne, which celebrates its bicentenary in 1996 and remains a family company, is basically a jeweller at the top end of the market but now features

quality-brand watches in its catalogues as well.

Mr Ian Dahl, the recently appointed group chief executive at Asprey, indicated the company would take a fresh approach to its traditional markets: "The new management team will be increasingly developing the range of high-quality jewellery in the \$1,000-\$4,000 bracket," he said. "We believe this price range is a growing market - for jewellery purchased repeatedly as an investment by today's independent women."

Asprey has commissioned the top Italian designer Mr Stefano Ricci to produce a special collection of jewellery for the coming Christmas season. Mr Dahl knows that consumers spent about \$212m on fashion jewellery in 1995 - and he probably knows that many women agree with the line in Anita Loos' *Gentlemen Prefer Blondes*: "(A man) kissing your hand may make you feel very, very good, but a diamond and sapphire bracelet lasts for ever."



TAG Heuer's latest addition to its 2000 series, in stainless steel



A turret clock by Smith of Derby, at the Sief Palace in Kuwait

Clockmakers

Small band survives in UK

British makers are rare in a sector dominated by Germany and the Far East

Almost a quarter of the exhibitors at Basel '96 are from Germany, and many of these are clockmakers, part of a longstanding national industry traditionally centred in the Black Forest region.

Alongside China, Hong Kong, Japan and South Korea, Germany has a healthy export business in quartz movements, cases and other parts, in sharp contrast with the UK or the US, where there is no clock-making trade of any size. The companies in those countries are simply assemblers and wholesalers.

There will, however, be a British clock group at Basel, sponsored by the British Horological Federation and the Department of Trade and Industry. The federation works closely with the long-established British Horological Institute in encouraging and furthering education in the trade, which is crucial to keeping alive what is left of the clock manufacturing industry in the UK. Watchmaking was once a thriving business based in London's Clerkenwell district.

What is left is mainly devoted to the repair, care and maintenance of "previously-owned" clocks.

Antiquarian horology is flourishing everywhere, however. The Geneva based auction house Antiquorum has never been busier in its 23 year history. Its Art of British Horology sale last November was a big success and a timely reminder of Britain's past eminence in the field of clockmaking.

As a token of the importance of the trade in antique clocks, today in New York Christie's is auctioning a remarkable clock made by Fabergé to celebrate the silver wedding of the Russian Tsar Alexander III and Empress Maria Feodorovna. It is expected to realise between \$500,000 and \$1m.

Clocks are often seen as appropriate gifts for new homes. In times of recession fewer people are inclined to move, and the bounce goes out of the market. Rapport is one clockmaking company exhibiting in Basel which knows all about this.

The Rapport family has owned the business since its inception in 1908. From its Cardiff headquarters it has built up a fine catalogue of traditional clocks. These include the ingenious Congreve Rolling Ball Clock, and other intricate time pieces such as the Oratory, The Planetary, the Inclined Plane and the Pendulum Skeleton Clock.

Mr Derek Rapport says that his best sellers are brass carriage clocks, for which demand never seems to flag. In general,

clocks constructed to survive all types of weather on public buildings.

Mr Nicholas Smith, the chairman, reports: "New projects have developed enormously in size and complexity in recent years. Our use of in-house computers aids design, speeds up manufacture, and improves our presentations for big contracts around the globe." The company has produced clocks for Glaxo, EuroDisney Paris and beautiful and complicated large automata for a new opera house in Stuttgart.

This year in Basel the Swiss clockmaker Matthew Norman is presenting its 8-day domed Renaissance, Lixor and Swiza are again both showing elegant new clocks with clear, crisp dials in refined cases. The English maker Sinclair-Harding has long been known for its elegant, complicated clocks, and this year will also be present at the Basel event.

Smith of Derby is a world leader in the production of outdoor clocks. This is yet another family-controlled concern. The English maker Sinclair-Harding was founded in 1856. Its activities are divided between repairs and maintenance and the supply or replacement of

A selection of watches by Patek Philippe, Cartier, Audemars Piguet and Rolex. To be included in the 6th June sale in London

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COMPANIES AND FINANCE: EUROPE

SAP sees 40% profits rise as 'realistic'

By Wolfgang Münchau in Frankfurt

SAP, the German business software group, yesterday sought to end the confusion about its business outlook with a forecast that net profits would rise at least 40 per cent this year.

Despite its relatively modest turnover, SAP is among the highest valued German companies, with a market capitalisation of more than DM20bn, larger than Dresdner Bank, Volkswagen and BMW. International investors, in particular, have taken a strong interest in the company.

On Monday a senior company executive created confusion by rejecting some analysts' forecasts of a 50 per cent profit growth for this year as too optimistic. Mr Dietmar Hopp, chairman, yesterday reaffirmed that assessment while giving a figure of 40 per cent, thus leaving himself only a small margin of error.

Mr Hopp said "one cannot expect that SAP will achieve a profit increase of 50 per cent. But we work on the assumption that 40 per cent or more is realistic". The share price, which fell 7 per cent on Monday, yesterday gained DM3.50 to close at DM196.50.

Mr Hopp said that based on the experience of previous years, about 9 per cent of pre-tax profits tended to arise in the first quarter and almost 50 per cent in the last quarter.

Air France sees further sharp cut in losses

By David Buchan in Paris

Air France reduced net losses - before restructuring costs - to less than FF1.2bn (\$234m) in 1995-96 and hoped to cut this loss to FF1.15bn in 1996-97, the state-owned carrier yesterday informed its employees in an internal newsletter.

NEWS DIGEST

Kvaerner completes Trafalgar House deal

Kvaerner, the Norwegian engineering and shipbuilding group, yesterday in effect completed its takeover of Trafalgar House, of the UK, announcing it had won acceptance of its \$304m (\$1.37bn) bid from shareholders representing more than 90 per cent of the company's capital. The deal was also given the green light by the European Commission competition authorities.

Harsh winter lifts EVN

An unusually harsh winter lifted pre-tax profit of the Austrian utility Energie-Versorgung Niederösterreich (EVN) by 46 per cent in the six months to February 98. Pre-tax profit jumped from Sch1.25bn to Sch1.73bn (\$152m), and sales were up 11 per cent from Sch6.24bn to Sch6.95bn.

Kühne & Nagel advances

Kühne & Nagel, the Swiss transport group, yesterday reported 1995 net earnings of SF104m (\$84.56m), 12 per cent up on a year earlier, and said it would further expand its operations this year despite what it called "disappointing forecasts" for the transport company which holds 32.4 per cent of Puma, also said it would reduce its stake to below 50 per cent as part of an effort to make the company more attractive to private investors.

Dassault Aviation ahead

Dassault Aviation, which the French government is trying to steer into a marriage with Aérospatiale, yesterday reported an increase in net group profit from FF745m in 1994 to FF825m (\$102.64m) last year, despite a 8 per cent sales decline over the same period. The group said last year had brought in FF14.2bn in new orders, and prospects were for an increase in turnover, given that over the past five years orders had exceeded sales by 20 per cent.

Puma posts 9% rise

Puma, the German sports goods maker, yesterday reported pre-tax profits of DM24.9m (\$16.49m) in the three months ending March, a rise of 9 per cent over the same period last year. Sales rose 9 per cent to DM1.61m. Proventus, the Swedish investment company which holds 32.4 per cent of Puma, also said it would reduce its stake to below 50 per cent as part of an effort to make the company more attractive to private investors.

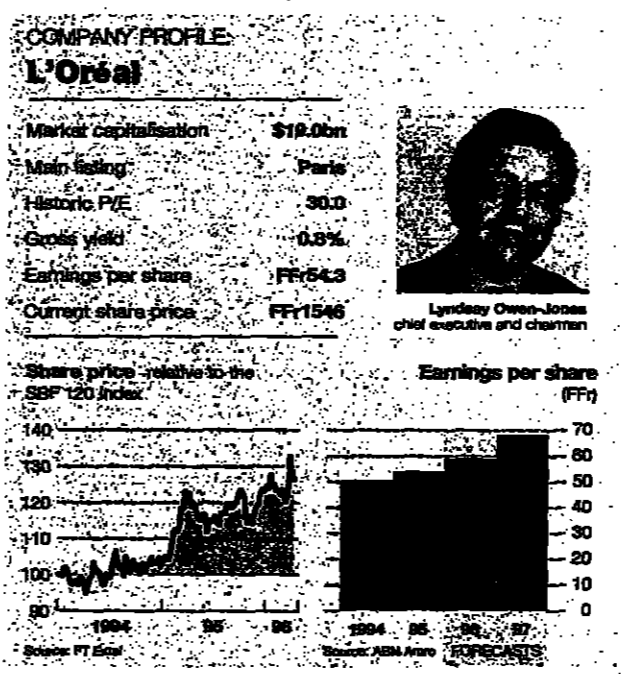
L'Oréal raises dividend as earnings rise to FFr3.4bn

By Andrew Jack in Paris

L'Oréal, the French cosmetics group, yesterday reported 1995 net earnings, excluding capital gains and losses, up 8.3 per cent at FFr3.4bn (\$683.4m).

He also stressed the importance of continuing L'Oréal's policy of spending substantial sums on internal research as the key to its future success. Sales rose 12.1 per cent to FFr3.4bn, largely reflecting the consolidation during 1995 for the first time of its North American agents, Cosmax Inc of the US and Cosmax Canada.

France accounted for 23.1 per cent of its cosmetics products, against 26.1 per cent previously, and 41.2 per cent, against 43.8 per cent, of Synthelabo's sales. L'Oréal estimated that the world cosmetics market was worth FFr650m in 1995, which represented a decline of 3.7 per cent over the previous year.



the full write-down of its Soréal business in Russia, and losses of FFr5m during the fourth quarter from Jade Germany, a cosmetics business.

TF1 expects profit from satellite venture by 2001

By Andrew Jack

The head of France's leading commercial television station yesterday estimated that a new digital satellite service it would help launch over the coming months should be profitable within the next five years.

journalists, he confirmed a range of details which have emerged over the past few days concerning a rival satellite service to be launched at the end of this month by Canal Plus, the pay television service.

TF1 will hold 25 per cent of the shares in the new venture, with other stakes held by France 2 and France 3, the two state-owned channels, as well as by the privately-held M6 station, Lyonnaise des Eaux, the construction and utilities group, and Compagnie Luxembourgeoise de Télévision.

arguing that TF1 and the two state-owned channels accounted for a high proportion of all French language television output. Executives said that the service, which could be launched as soon as the end of this year, would initially have about 30 channels. The basic service - apart from the rental costs of a decoder from an external supplier.

determined, and representatives of the different shareholders are currently discussing a range of details about how the new organisation will be managed. They also said they hoped to be able to broadcast French films about one year after their release in the cinema.

week who's shipping

KPN sustained good performance in 1995.

KPN enjoyed an increase in net income in 1995 as compared to 1994. Sales increased by 8.8% to NLG 19,855 million and profits rose by 18.9% to NLG 2,257 million. Operating income went up by 11.1% to NLG 3,937 million, increasing the earnings per share in 1995 to NLG 4.83 (1994: NLG 4.42).

PTT Post. PTT Post recorded sales of NLG 6,080 million in 1995, 6.2% higher than in 1994. National mail sales went up by 4.0%. A 9.0% increase in sales was achieved by PTT Post Media Service, thanks partly to a higher volume of printed matters. A special parcel stamp introduced in 1995 has proved a success. EMS, PTT Post's courier company, increased its sales significantly through acquisitions.

There was a strong growth of KPN Kabel's activities in 1995 through acquisitions and the expansion of cable networks in the United Kingdom, the Czech Republic and Poland. The company achieved sales of NLG 262 million in 1995.

increased volumes and moderate increases in costs. The growth of sales was driven by increased volumes in virtually all areas of the company's business, especially mobile telecommunications, national telephone services and national mail. The effect of price reductions was more than compensated by volume growth. Costs rose only moderately and contributed to the company's increased profitability.

PTT Telecom. PTT Telecom's sales went up by 7.4% to NLG 13,623 million. The company acquired a stake in SPT Telecom of the Czech Republic and signed an agreement to participate in the Indonesian GSM operator Telkomsel. PTT Telecom announced its entry into the market for multifunctional chipcards in cooperation with Postbank NV.

Capital expenditure. KPN spent NLG 3,863 million on property, plant and equipment in 1995. PTT Post invested primarily in sorting centers for letters and parcels and PTT Telecom's capital expenditure was directed primarily towards expansion of the infrastructure, the mobile network and ISDN.

Efficiency and expansion. KPN devoted continued attention to reorganizations, efficiency and higher quality in 1995. The company also sharpened its focus on national and international expansion, as can be seen by its rapidly growing list of acquisitions in the Netherlands and abroad.

in millions, except earnings per share	1995 (NLG)	1994 (NLG)	1993 (NLG)	Growth
Total operating revenues	22,382	19,855	18,592	6.8%
Operating income	2,455	3,937	3,543	11.1%
Net income	1,408	2,257	2,035	18.9%
Group equity	8,191	8,674	8,441	3.2%
Earnings per share	3.85	4.83	4.42	10.6%

Publication of 1995 annual report and more information. KPN will publish its 1995 annual report in the second half of April 1996. The general meeting of shareholders will be held in Groningen on May 9, 1996. Copies of the 1995 KPN annual report are obtainable free of charge. Return the coupon or send a fax on +31 6 099 7794 (toll free).

Dividend and payment. The State of the Netherlands sold a second tranche of KPN shares in 1995 and now has a minority interest of around 45%. In addition, KPN obtained a listing on the New York Stock Exchange in 1995. The company plans to pay a dividend of NLG 2.60 over 1995 (1994: NLG 2.30). After deduction of the interim dividend already paid out in 1995, the final dividend will be NLG 1.70 per ordinary share.

KPN Multimedia and KPN Kabel. KPN Multimedia operates in new media, such as Planet Internet. The company achieved sales of NLG 53 million in 1995.

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COMPANIES AND FINANCE: THE AMERICAS

AT&T chief under fire over pay

By Tony Jackson in Miami

Mr Robert Allen, chairman of AT&T, came under fire over his pay at an occasionally hostile annual meeting yesterday.

Mr Ed Feigen, of the Teamsters' Union pension fund, opposed the re-election of directors on the grounds that they had over-compensated Mr Allen.

AT&T's market value last year of \$23bn was larger than for any other US company. "Last year I made essentially what I was paid the year before," he said.

AT&T also announced a 14 per cent rise in first-quarter earnings to \$1.36bn, or 85 cents a share.



Robert Allen: compensation package of \$18m criticised

Coca-Cola ahead 12% in opening quarter

By Richard Tomkins in New York

Coca-Cola, the US soft drinks company, yesterday reported a 12 per cent increase in net profits to \$713m in the first quarter, despite economic difficulties in two important markets, Mexico and Argentina.

Earnings per share, boosted by stock repurchases, rose by 14 per cent to 57 cents, but the result fell just short of the expected 58 cents and the shares slipped 1% to \$80 in early trading.

NEWS DIGEST

Bancomer in red after provisions

Grupo Financiero Bancomer yesterday became the first financial group in Mexico's troubled banking system to set aside provisions which cover the full amount of its bad loans.

Strong gains at US brokers

Two US securities houses, Bear Stearns and Donaldson, Lufkin & Jenrette, reported strong earnings for the first three months of 1996, following the trend set by other groups.

DLJ, which was floated last October but is still 80 per cent owned by The Equitable insurance group, reported net income of \$85.1m in the quarter, up from \$37.5m in the same period of 1995.

RJR chief welcomes vote

Mr Steven Goldstone, RJR Nabisco chief executive officer, said the food and tobacco company could return to running its daily business, following a vote in which shareholders overwhelmingly defeated Brooke Group's bid to take control of the company.

Cost cuts lift BankAmerica

Echoing the recent headway made by other US banks in improving their operating efficiency, BankAmerica yesterday reported that its costs were virtually unchanged in the first three months of 1996 from a year before.

Lower prices hit Methanex

Methanex, the world's biggest methanol producer, was hit by sharply lower product prices in the first quarter, posting net profit of US\$14.4m, or 8 cents a share, down from \$16.3m, or 83 cents, a year earlier.

US groups quiet on merger talk

Bell Atlantic and Nynex, two of the largest US regional telephone service companies, declined to comment yesterday on reports that they are close to agreement on a \$22bn merger.

Severe winter hurts Allstate

The severe winter weather in the US earlier this year dented earnings at Allstate, the country's biggest provider of home and car insurance. A 23 per cent fall in after-tax profits to \$42m, or 94 cents a share, came despite a pick-up in revenues in its property-liability operations.

IBM lifts payout after 'good but uneven' term

By Louise Kehoe in San Francisco

IBM's first-quarter performance was "good but uneven", said Mr Lou Gerstner, IBM chairman and chief executive. While revenues from services operations jumped 31 per cent to \$3.2bn, hardware revenues were flat at \$7.7bn.

IBM's market value last year of \$23bn was larger than for any other US company. "Last year I made essentially what I was paid the year before," he said.

IBM also announced a 14 per cent rise in first-quarter earnings to \$1.36bn, or 85 cents a share.

IBM's market value last year of \$23bn was larger than for any other US company. "Last year I made essentially what I was paid the year before," he said.

Higher sales volumes help Merck increase 14%

By Richard Waters in New York

A jump in sales volumes helped Merck, the US pharmaceuticals company, register a 14 per cent increase in after-tax earnings in the first quarter, although pressure on prices and a greater contribution from its lower-margin Medco business led to a decrease in profit margins.

First-quarter US sales of Losac lift Astra shares

Shares in Astra, the Swedish pharmaceutical group, were lifted yesterday by news that sales of Losac, its fast-growing anti-ulcer drug, continued to surge in the US in the first quarter, writes Hugh Carnegie in Stockholm.

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management company, which also sells other companies' drugs. The number of prescriptions handled by Medco rose to 52m from 41m a year before, and 47m in the fourth quarter of 1995.

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Financial Highlights table with columns for 1995 and 1994, showing assets, liabilities, and earnings.

Saudi American Bank logo and contact information in Arabic and English.

Televisa plans big reshape following PanAmSat sale

By Daniel Dorobay in Mexico City

Televisa, the media group that has 80 per cent of Mexico's television market and 70 per cent of its magazine sector, is planning a big reorientation after its planned sale of its 40.5 per cent stake in PanAmSat, a private satellite operator.

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Advertisement for Yorkshire Building Society Floating Rate Subordinated Notes due 1999.

Handwritten Arabic text at the bottom of the page.

NEWS DIGEST
Bancomer in red
after provisions

Strong gains in US stocks

WTR chief will miss

Cost cuts hit banks

Lower prices for Merck

US groups push for



All of these securities having been sold, this announcement appears as a matter of record only.

U.S. \$3,025,000,000

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Joint Global Coordinators

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April 1996

COMPANIES AND FINANCE: ASIA-PACIFIC/INTERNATIONAL

San Miguel shares drop sharply on profit warning

By Edward Luce in Manila

San Miguel, the Philippines' largest beer and consumer goods company, saw its shares tumble almost 10 per cent yesterday after senior executives warned of a deteriorating profit outlook.

market rankings this year as other blue chips have benefited from the Philippine stock exchange's overall buoyancy. "We are recommending for the first time ever that our clients sell San Miguel shares," said Mr Ramon Borja, a researcher at Dharmala Securities in Manila.

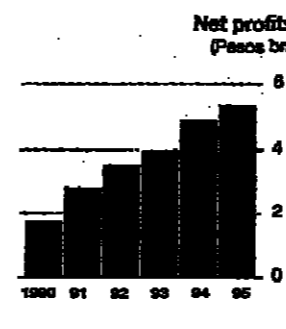
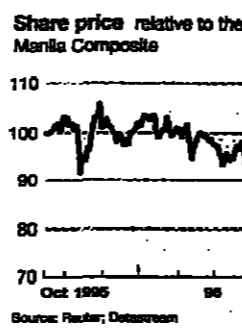
San Miguel's performance is being punished heavily. At a debt-equity ratio of 1:1.15, San Miguel's interest liabilities are steep and rising. The company, which last year embarked on a five-year, 400m peso international expansion plan, including new breweries in China, Indonesia and Vietnam, says its medium-term outlook is nevertheless bright.

COMPANY PROFILE: San Miguel

Table with 2 columns: Metric and Value. Includes Market capitalisation (\$4.2bn), Main listing (Manila), Historic P/E (13.5), Gross yield (0.7%), Earnings per share (3.5 pesos), Current share price (78.5 pesos), and 1996 forecast.



Andres Soriano III, president



Mr Eduardo Cojuangco, over ownership of a large stake in San Miguel. The battle has prevented San

Miguel from fresh rights issues and forced the company to rely on the debt markets for raising capital.

Anglovaal Minerals ahead 59% in quarter

By Mark Ashurst in Johannesburg

Anglovaal Minerals, the South African gold mining finance house, yesterday posted a 59 per cent rise in total after-tax profit to R55.4m (\$13.1m) for the quarter ended December 31 1995.

Seiyu earnings doubled on cost and staff cuts

By Emiko Terazono in Tokyo

Seiyu, a leading Japanese supermarket operator, announced strong earnings growth for the 12 months to February, helped by an extensive restructuring programme.

The company reduced the number of sales outlets and cut personnel costs, while the improvement of the balance on financial items also helped boost profits. The retailer managed to cancel out most of its extraordinary losses of ¥46.5bn - including special allowances for retirees and financial support for Tokyo City Finance, its finance subsidiary - with special profits of ¥41.4bn from asset sales.

to ¥175.3bn. Revenue in its food department rose 1.5 per cent to ¥422.5bn. On a consolidated basis, the company's recurring profit fell 48.7 per cent to ¥9.1bn on a 2.7 per cent drop in revenues to ¥1,292.7bn. The company saw a net loss of ¥6.3bn.

in personnel and operation costs while sales are expected to rise 0.6 per cent to ¥1,030bn. Consolidated current profits are expected to rise 64.8 per cent to ¥16bn on a 2.1 per cent increase in revenues to ¥1,320bn.

cent rise in unconsolidated recurring profits to ¥20.1bn on an 11.7 per cent rise in sales to ¥543bn. Net profits rose 27.2 per cent to ¥11bn. On a consolidated basis, FamilyMart posted a 10.8 per cent rise in recurring profits to ¥20bn on a 50.8 per cent rise in sales to ¥128.5bn. Net profits rose 28.3 per cent to ¥11bn.

NEWS DIGEST

Lend Lease set to buy 25% of Mirvac

Lend Lease, the Australian property and financial services group, has agreed to buy shares and options which will eventually give it a 25 per cent stake in Mirvac, another local property development group. The deal is a friendly one, with the shares coming from Mirvac's founding chairman, Sir Henry Pollack, and Lend Lease being invited to appoint a director on the Mirvac board.

Comalco near decision on unit

Comalco, the Australian-listed aluminium group controlled by RTZ-CRA of the UK, said it would decide next month on its preferred location for a new alumina refinery, estimated to cost more than A\$1bn (US\$767m) to develop. A full feasibility study would then be conducted.

North Flinders ahead in term

North Flinders Mines, part of Mr Robert Champion de Crespigny's Normandy group, yesterday announced a profit after tax of A\$27.3m (US\$21.5m) in the nine months to end-March, up from A\$22.8m a year earlier.

Spicers buys fine paper group

Spicers Paper, the Australian paper group in which Ancor holds a 42 per cent interest, is to buy Intercontinental Forest Products, a group of fine paper distribution companies in Singapore, Malaysia and Hong Kong, for \$570m (A\$68m). The seller is the Singapore-listed Inno-Pacific group.

Kyocera upbeat for year

Kyocera, the Japanese ceramic maker, said it expected its parent company revenue and pre-tax profit to rise strongly during the current financial year on the back of buoyant sales of personal handy phones and a favourable yen rate.

CBA sets date for vote

Shareholders in Commonwealth Bank of Australia will be asked to decide on May 14 on the bank's proposed A\$1bn share buy-back plan - to be conducted in conjunction with the federal government planned stock market flotation of its remaining 50.4 per cent holding in CBA. If all the government's remaining shares are sold in one tranche, it will be one of the largest privatisation transactions undertaken in Australia.

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Handwritten Arabic text: صديقا من الامم

Vertical advertisement for Prudential and Smiths Industries. Includes text: Prudential, Smiths Industries, Dividend pay, and a large '51V' logo.

COMPANIES AND FINANCE: UK

Prudential strikes upbeat note as sales rise

By Alison Smith, Investment Correspondent
Prudential, the UK's largest life assurance and investment group, expressed optimism about prospects for 1996 as it announced increased sales for the first quarter of this year compared with the same period in 1995.

sales when first-quarter figures for the sector are published in the next month or so. Within the overall increase at the Pru there was a trend towards a greater emphasis on lump sum policies and away from products where the customer has to make a commitment to pay set amounts regularly over several years.

that sales of lump sum products were at their highest quarterly level for more than two years. "We are increasingly optimistic about sales for the rest of the year." In the UK, the Pru's sales of lump sum life, pension and investment policies rose by just over one-third to £966m, more than making up for a slight drop in sales of regular premium policies, which slipped to £71m.

Worldwide, its sales of lump sum products rose 12 per cent to £1.61bn, while sales of regular contribution policies rose 4 per cent to £127m. Mr Jonathan Bloomer, finance director, said the shift towards single contribution products was structural, although it was too early to say whether it was permanent. He said that one possible reason for it was that customers felt uncertain about the future,

and so were reluctant to commit themselves to long-term policies. The Pru's positive comments on its prospects were generally shared by analysts, although there was slight concern that the greatest areas of growth appeared to be in policies such as annuities and Peps which have lower margins than some other products. Mr Roman Cizdyn, insurance analyst at Merrill Lynch, said:

"There is a strong impression that there is a head of steam behind these figures. UK sales probably need to pick up a bit more, but they have the single premium business doing well." Mr David Nisbet, insurance analyst at NatWest Markets, said the rise in the Pru's sales would probably be in line with the rise in sales across the life sector. Pru shares rose closed 8p to up at 454p.

Signet advance bodes well for disposal plan

By Simon Kuper
Signet, the jeweller, yesterday increased its negotiating band in talks to sell its UK chains when it reported better than expected group profits for the year to February and 34 per cent sales growth at its Ernest Jones stores since the year end.

limiting businesses after group and other costs rose 12 per cent to £18.1m. Operating margins in the UK rose from 6.9 to 8 per cent, but like-for-like sales fell 1.5 per cent to £336.8m. The decline came at the H Samuel chain, while sales at the premium Ernest Jones stores rose slightly.

Signet put its UK arm - the H Samuel and Ernest Jones chains - up for sale in January. Argos, the catalogue retailer and Goldsmiths, the jeweller, are among the bidders. Signet is believed to be seeking £300m (£456m) for the chains, and analysts said yesterday's figures would have made this price more feasible. Some said the sale price would benefit from the recent upgrading of retail stocks as consumers had begun shopping more.

Group pre-tax profits for the year to February 3 tripled to £25m, although the previous year's £8.1m was depressed by a £5.2m loss on the disposal of the Salisbury handbag chain. Sales fell 3 per cent to £584.7m. UK operating profits on con-

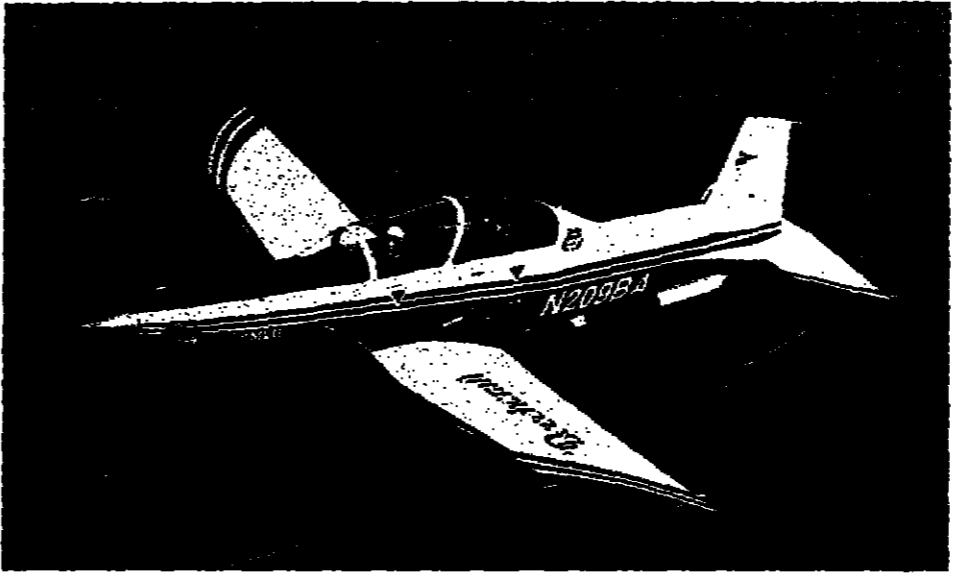
tinuing businesses after group and other costs rose 12 per cent to £18.1m. Operating margins in the UK rose from 6.9 to 8 per cent, but like-for-like sales fell 1.5 per cent to £336.8m. The decline came at the H Samuel chain, while sales at the premium Ernest Jones stores rose slightly. The sales rise at Ernest Jones in the current financial year followed a modernisation of its stores. Mr James McAdam, Signet chairman, said this boded well for a similar revamp planned at H Samuel this year. One analyst said that with UK operating margins likely to "nudge double digits" this year, a buyer of the chains could add little value. "You are not buying something that is bombed out and has an amazing recovery process ahead of it," he said. Signet's net debt at the year-end was £308.2m, compared with £333.5m. The group also owes preference shareholders £138m in unpaid dividends, up £42m on the year, while redeeming their shares would cost £370m.

Smiths Industries ahead

By Tim Burt
Smiths Industries, the aerospace, medical equipment and industrial group, yesterday vowed to continue its four year acquisition programme after contributions from new subsidiaries helped lift first-half profits by 19 per cent. The company - which makes advanced avionics, drug delivery systems and products for the construction industry - saw pre-tax profits increase from £58.2m to £69.5m (£105.64m) on sales of £466.2m (£413.6m) in the six months to February 3.

cal connectors, and Level 1, which makes medical equipment. Sir Roger Hurn, chairman and chief executive, said the group would seek further bolt-on deals, likely to be financed from cash flow and borrowings. Smiths' firepower should be increased in the second half by a £14m exceptional gain on the sale, last year, of its non-core housing portfolio, wiping out its £13.5m first-half borrowings. The sharpest first-half growth was recorded by the industrial division, which defied sluggish conditions in the construction industry to lift profits by a third from £16.2m to £21.6m. Sir Roger said that Mr Einar

Lindh, appointed chairman of the division in February, was seeking further gains through rationalising its European operations and integrating some manufacturing plants. Aerospace showed a modest rise from £18.4m to £17.2m. Smiths yesterday said its aerospace division had won orders worth more than \$100m from Raytheon, the US aircraft manufacturer. Under the initial contract - worth \$23m - Smiths will supply cockpit equipment for 141 Raytheon Beech Model primary trainer aircraft (right) ordered by the US Air Force and US Navy. The total programme involves 711 aircraft over 20 years. See Lex, page 22



Dividend payment
BW
At the Annual General Meeting of Shareholders held on April 17, 1996, the dividend for the financial year 1995 was fixed at NLG 1.28 for each ordinary share (par value NLG 2). As an interim dividend of NLG 0.32 was already made payable, the final dividend will be NLG 0.96.

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COMPANIES AND FINANCE: UK

BT and C&W may announce merger deal before approval

By Alan Cane
British Telecommunications and Cable and Wireless may announce their intention to merge before every aspect of what is proving to be a very complex deal has been settled.

There has been no animosity towards the deal from any of the governments
The two parties could not go across to Brussels or elsewhere and say "Please agree to this now" before the terms had been set out.

"The two companies are only just getting to know one another."
Progress has been helped by the fact that BT chief executive Sir Peter Bonfield and his C&W counterpart, Mr Rod Olsen, knew each other before the talks began and got on well together.

It is understood that both sides have been encouraged by the fact that there seems to be no animosity towards the deal from any of the governments of the countries whose approval will be needed if the deal is to go ahead.

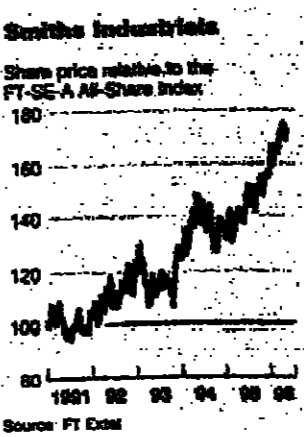
The reaction of the Chinese authorities is not yet clear although reports of "concern" from leading officials are now accepted as misquotations.
C&W is delaying plans to announce a new chief executive to replace Mr James Ross who left the company late last year.

The two parties could not go across to Brussels or elsewhere and say "Please agree to this now" before the terms had been set out. "The natural process is to get to the point of deciding what it is you want to tell the world, then tell it and then you go off to put the final consents and agreements in place. Some of those agreements might require the two companies to modify their agreement."

While BT and C&W are refusing to comment on the progress of the negotiations, which now involve the chairman and chief executives of both companies as well as their financial advisers, those close to the talks said an announcement was unlikely for some weeks. "There are a myriad of questions to be solved," one said.

LEX COMMENT
Smiths Inds

Smiths Industries has prospered mightily in the past four years, despite the worst aerospace recession in living memory. The group cut costs early and hard in its aerospace division and used its formidable cash flow to expand its medical and industrial operations. Since 1991 it has made over \$300m worth of bolt-on acquisitions, all of them for cash.



Smiths Industries share price relative to the FT-SE 100 index

Smiths Industries has prospered mightily in the past four years, despite the worst aerospace recession in living memory. The group cut costs early and hard in its aerospace division and used its formidable cash flow to expand its medical and industrial operations. Since 1991 it has made over \$300m worth of bolt-on acquisitions, all of them for cash. The effect has been to transform relatively pedestrian organic growth - yesterday's results showed a like-for-like sales increase of only 6 per cent - into annual earnings growth of 15 per cent and more. This strategy propelled Smiths into the FT-SE 100 index last December and its shares now sit on 19 times earnings for this financial year - a 20 per cent premium to the market average.

With a rating like that, Smiths cannot afford to slip up. Its cash generation is as strong as ever: after tax, interest, dividends and capital spending, free cash regularly amounts to half of pre-tax profits. So far the group has found a ready supply of suitably priced targets to soak up that cash. Sooner or later, however, the group's increasing size and the fact that margins at its existing businesses are already high at 15 per cent, will probably tempt it into a big purchase.

That would increase the group's risk profile and require a share issue. But if Smiths can take part in the consolidation of the defence and aerospace industries, it could also bring opportunities. The idea of Smiths' proven management getting its hands on one of Europe's underperforming, state-run defence enterprises is certainly attractive.

Reuters launches 3000 range

By Christopher Price in Geneva

Reuters yesterday launched its new 3000 range of data products which have taken three years developing and cost in excess of \$100m (£65.7m).

The range was unveiled at the media and information forum's biannual European forum in Geneva. More than 2,000 customers, investors and analysts are expected to attend the 7-day event.

Mr Peter Job, chief executive, said that the 3000 series was needed to galvanize sales and to maintain the group's record of achieving double-digit revenue growth.

The wave of mergers and takeovers in the banking and securities industries has held back the group's sales. Mr Job said: "We are responding to a demand from people in the financial community for real-time data combined with historical analysis. People are increasingly needing to analyse data in different ways."

The 3000 series integrates real-time prices and news with historical data and analysis on a single screen. Its target audiences are corporate treasurers, investment managers and sales analysts. More than 500 data analysts were used in the development of the data base with a similar number continuing to update the system. Mr Job added that Reuters will continue to build the database by striking further alliances with content providers. The series is expected to go on sale in July. Mr Job said that as the aim was to grow market share rapidly, prices would largely be kept in line with Reuters' other products such as the 2000 series.

Bent on vertical integration

Southern's approach to National Power anticipates freeing the supply market, says Patrick Harverson

Last year, Southern Company of Atlanta was the first foreign company to buy a UK electricity supplier and now the US-based utility is breaking new ground again by making a play for Britain's largest power generator.

Southern's announcement yesterday that it would consider a merger with National Power, the larger of the two electricity generators, was not entirely unexpected - shares in National Power had risen sharply the day before on speculation of a US bid - but it is likely to have caught the government on the hop.

Mr Ian Lang, president of the Board of Trade, is in the process of considering whether to agree with the reported recommendation of the Monopolies and Mergers Commission to allow National Power to take over Southern Electric, the regional electricity supplier.

Mr Lang did not have enough on his plate already, the prospect of Southern Company merging its existing regional UK electricity supplier Sweb - which it acquired last year for £1.1bn - with a second supplier and the country's biggest power generator should give further pause for thought.

Certainly part of the reason for the stock market's somewhat guarded response to the news of Southern Company's interest in National Power yesterday was due to doubts over whether the government would allow such a concentration of

electricity industry power in single, let alone foreign, hands. As one industry insider said yesterday: "Any attempt to combine Sweb, National Power and a second rec [regional electricity company] is a definite MMC referral." A referral is something Southern Company would want to avoid at all costs.

Consequently, the Georgia-based group is expected to try to talk National Power out of proceeding with its agreed £2.8bn bid for Southern Electric. The US utility believes a combination of National Power and Sweb would be as good a generator supplier fit as any other.

Not everyone agrees, however. Some analysts believe the US group would be better off integrating Southern Electric with National Power. One said: "The main attraction to Southern Company is that the UK market is about to become vertically integrated and National Power has got its position in that market established through Southern Electric."

A senior industry executive yesterday went further, arguing that Southern Company would want to keep both recs

and the generator under the same roof. He said: "From their point of view, it makes much more sense to put National Power together with both Southern and Sweb. On its own, Sweb is too small to give them leverage with National Power. But because they were forced to make a statement now, they know they face more regulatory obstacles."

While the financial, industrial and political complexities involved in Southern Company merging with National Power are considerable, the US group is determined to expand its overseas generating operations.

Already the largest utility in the US - where it serves customers in most of Georgia and Alabama, the panhandle of Florida and south-eastern Mississippi - Southern Company has a growing presence in power generation well outside its domestic market. It owns generating capacity throughout Latin America and the Caribbean.

It started looking at acquiring generating capacity in the UK in late 1994, but Southern Company quickly rejected the idea of acquiring individual power plants (too ineffectual) or moving into the nuclear power industry (too risky). Its subsequent acquisition of

Sweb intensified its interest in the generators. Knowing that its market share was falling steadily, the US group wanted to buy a generator and integrate it with Sweb in preparation for 1998, when the domestic supply market was opened up to competition and generators would face an even tougher fight to retain market share.

Southern Company chose National Power over PowerGen primarily because the former looked a better buy. The US group believed the stock market was undervaluing National Power, which left it more room to make a competitive bid and still strike a good deal for its shareholders. It also felt National Power would be a better fit operationally and managerially.

Whether Southern Company will ever get to make that fit work, and pull off its ambitious attempt to vertically integrate a sizeable chunk of the UK electricity industry, remains to be seen.

It must persuade National Power of the merits of a merger - and the US group is said to be reluctant, although prepared, to launch a hostile bid for the generator - but first it will have to wait for the government's judgment on the MMC report.

Table with 2 main sections: 'RESULTS' and 'Investment Trusts'. The first section lists various stocks with columns for Turnover, Profit, EPS, Current dividend, Date of payment, Dividends, Total for year, and Total last year. The second section lists investment trusts with columns for NAV, Dividends, EPS, Current dividend, Date of payment, Corresponding dividend, Total for year, and Total last year.

Advertisement for Securicor plc, including details about the Building Societies Investment Trust plc and the introduction to the Official List by Lazard Brothers & Co., Limited.

NOTICE TO HOLDERS OF UMC United Microelectronics Corporation U.S.\$160,000,000 1.25 per cent. Bonds due 2004 (the "Bonds")

ANGLOVAAL MINERALS March 1996 Quarterly Results. Copies of the March 1996 quarterly report and development results are available from the offices of the London Secretaries: Anglovaal Trustees Limited, 5th Floor, 33 Davies Street, London, W1Y 1FN.

CMEC GE CAPITAL CHINA INDUSTRIAL HOLDINGS LIMITED. Net Asset Value: CMEC GE Capital China Industrial Holdings Limited announces that as of 31st March, 1996, the unaudited net asset value per share of the Company was US \$1.042.

BANK OF CEYLON. Floating Rate Notes Due October 1996. Interest Rate: 10.00% per annum.

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COUNTRY SURVEYS ON DISK. All the country, comment and case studies contained in the FT's special reports are now available on individual floppy disks.

Handwritten text in Arabic script: 'صكنا من الامهال'

COMMODITIES AND AGRICULTURE

MARKET REPORT

Tin prices hit 5 1/2-month highs

The TIN market put in a strong performance yesterday on the London Metal Exchange with prices closing at 5 1/2-month peaks and looking likely to extend the current advance to the \$6,800-a-tonne level, for the three months position, traders said.

Tin has been strong all day, and with the June (delivery date) tight there is a good chance of it carrying on, even if copper and aluminium back off, one trader said.

Australia unveils plan for wheat industry

Australia's new Conservative federal government yesterday unveiled a five-year plan for the country's wheat industry, which would see the Australian Wheat Board retain its control over the sale of Australian exports.

At present, the Australian Wheat Board handles all export sales of Australian wheat, although the domestic wheat market is now deregulated. However, statutory marketing arrangements in the agricultural sector generally have come under attack from competition advocates, who claim that such arrangements are inefficient and costly.

Guernsey tomato growers pay the price of complacency

The crop area is down to about 12 hectares from 400 hectares 40 years ago, writes Geoff Tansey

Flying into the tiny island of Guernsey, once famous for its Guernsey Toms (tomatoes), the glass-houses are its most obvious feature.



In the Nicholson's high-tech operation integrated pest management techniques are used, with specially-bred bumble bees for pollination.

It is about 400 years since tomatoes - initially yellow and called 'love apples' - first arrived in the British Isles. For Guernsey, the late 1950s were the years of the tomato, with 15 per cent of the island covered with glass and Guernsey Toms were on greenhouses for many years.

thought they were the leaders and didn't look further than the harbour, says Philip Nicholson, who, with his brother Alan and their 83-year-old father, still grow just over two acres of tomatoes between them. Standing in his older 1,000sq glasshouse - on Guernsey they measure size in units of feet times 30ft wide - he says he would pull it down if going into tomatoes now and

build one like their new double-glazed glasshouse. The Nicholson family runs a high-tech operation, using the now industry-standard integrated pest management techniques with specially-bred bumble bees for pollination, various insects to control pests, low-level carbon dioxide, rock-wool growing materials and

developed for the island's commercial producers for its two stage BabyBio Tomato Food. A desire for better flavour, quality and taste is what Simon Crossland, PBI's marketing director, hopes will persuade people to grow their own tomatoes. While that may be good for PBI, it will not be for those few remaining commercial tomato producers remaining on the island. Even Mr Nicholson agrees that "if you grow your own in the ground it will be much tastier".

Cherry tomatoes have also become a popular crop in recent years, accounting for about a third of the area in tomatoes in 1993. All the fruit is packed by the Guernsey Growers Co-operative, inspected, bar coded and shipped out. For one company that has a long association with Guernsey - PBI, a wholly-owned subsidiary of Japanese trading house Sumitomo Corporation since the early 1990s and maker of BabyBio plant foods and garden products - the island was an obvious place to launch its new tomato food. It aims to get people growing tomatoes at home rather than buying them in.

Raymond Evison has certainly embraced that. From nothing ten years ago, his Guernsey Clematis Nurseries now produce 3m plants a year, claimed to be around one in five of those sold in wholesale markets. He sells from his 3.5 acres to 19 countries. Almost half goes to the US and he has recently been exporting to Japan. To secure a horticultural future, the island's growers certainly have to look beyond the harbour today.

Southern Africa on track to harvest a bumper maize crop

The Southern Africa region is on track for a bumper maize crop in the 1996-97 season thanks to soaking rains and increased plantings, industry observers said this week, report Reuters from Johannesburg.

Regional maize output was expected to soar 77 per cent to 19.59m tonnes from 11.1m last season, according to figures from the Early Warning Unit of the Southern African Development Corporation released at the end of March. Even war-torn Mozambique and Angola would show significant

improvements, with the former expected to produce a small surplus for the first time in many years, the SADC said. "The prospects for the region look good. Especially South Africa, which is expected to double its maize crop, and Zimbabwe, which is supposed to triple its output," said Ms Sheila Machiri, deputy sector co-ordinator at the SADC food security unit in Harare.

South Africa should harvest a 9.58m-tonne maize crop in 1996, a 117 per cent rise on last year's revised figure of 4.40m, the country's National Crop Estimates Committee said in its first, forecast released last month.

More optimistic still is the US Department of Agriculture, which last week raised its South African crop estimate to 10.5m tonnes from its previous estimate of 10m tonnes. The USDA also raised its estimate for South African maize exports by 500,000 tonnes to 2.5m tonnes.

prices shot through the roof amid poor forecasts for the US crop this year, traders said. "World sales of maize as a percentage of consumption are at their lowest levels in 20 to 25 years and prices are soaring," said one. "Japanese and South East Asian buyers are keen to buy our surplus maize." Zimbabwe's maize harvest is predicted to be between 2m and 2.7m tonnes, compared with about 800,000 tonnes last year, according to SADC and Zimbabwean Reserve Bank estimates. The central bank said earlier this month that Zimbabwe was expected to export around 200,000 tonnes of maize after a four-year export ban because of drought. But the SADC was not so confident. "Although current projections suggest the maize harvest will be sufficient to cover total maize requirements... localised food deficits are expected," it said. "The need to replenish the strategic maize reserves may result in minimal or no maize available for export during the 1996-97 marketing year."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table of base metal prices including Aluminum, Copper, Lead, Nickel, Tin, Zinc, and various grades of metal.

Precious Metals continued

Table of precious metal prices including Gold, Silver, Platinum, and Palladium.

GRAINS AND OIL SEEDS

Table of grain and oil seed prices including Wheat, Maize, Soybeans, and Barley.

SOFTS

Table of soft commodity prices including Cocoa, Coffee, and Sugar.

MEAT AND LIVESTOCK

Table of meat and livestock prices including Live Cattle, Live Hogs, and Pork Bellies.

LONDON TRADED OPTIONS

Table of London traded options prices for various commodities.

LONDON SPOT MARKETS

Table of London spot market prices for various commodities.

CROSSWORD

Crossword puzzle grid and clues, including 'Approach to performing a duet about bird (3)', 'Rebel getting second award in handicraft (7)', etc.

INTERNATIONAL CAPITAL MARKETS

Treasuries slip despite housing slowdown

By Lisa Branson in New York, Samer Iskandar and Richard Lapper in London
US Treasury prices edged lower in early trading yesterday despite data suggesting that home building activity was slowing...

the US currency was changing hands for DML5067 compared with DML5101 late on Tuesday.
German bunds lost ground in this trading, while the market awaited today's Bundesbank council meeting...

UK gilts were particularly weak, falling more than most other markets, after the publication of stronger than expected employment data.
Spanish bond futures closed slightly lower following a bout of profit-taking at the end of a choppy day's trading...

down on the day. In the cash market, the 10-year yield spread over bunds, which has narrowed in recent weeks as a result of falling inflation and a stronger lira, yesterday widened back out, closing 8 basis points higher at 407.
Irish gilts continued to be the strongest performers in Europe. The benchmark 8 per cent bond due 2006 closed at 101.37, down only 0.08. This tightened the spread over UK gilts by another 5 basis points...

Flurry of paper in dollar and D-Mark sectors

By Corwin Middelmann
The eurobond market yesterday showed another round of retail-targeted shorted offerings in dollars and D-Marks.
Austria's OKB issued \$200m of bonds maturing in November 1996, priced to yield 3 basis points over Treasuries at the re-offer price...

merbank and Nomura, the deal saw good demand from retail accounts across Europe.
In the D-Mark sector, Howlett-Packard Finance issued DM200m of three-year bonds at a spread of 13 basis points over bunds which was aimed mainly at Swiss retail investors...

Also today, the National Bank of Hungary is to launch DM500m of six-year floating-rate notes via WestLB.
It should go well - there's a lot of demand for Hungarian paper, said one banker. He said yields spreads on Hungary's outstanding dollar debt due 2002 had fallen by about 200 basis points since October, partly on expectations that Hungary's credit rating would be upgraded.

Mexico offers Brady exchange

By Leslie Crawford in Mexico City and Richard Lapper in London
The Mexican government yesterday launched an offer to exchange between \$1bn and \$2.5bn of its outstanding Brady bonds for a new 30-year dollar-denominated global bond.
The final size and value of the issue will depend on the response of existing holders of Brady bonds at a "Dutch auction" to take place next month...

to defaulting on \$29bn of short-term debt.
Goldman Sachs, Chase Securities, Deutsche Morgan Grenfell, J.P. Morgan and Salomon Brothers managed the deal. Mr Guillermo Ortiz, Mexico's finance minister, said the new issue reflected the government's belief that Mexico was paying investors too high a premium for assuming Mexican country risk.

mates there are currently about \$23bn of Mexican Brady bonds in circulation.
The new issue, he said, would lengthen the maturity of part of Mexico's sovereign debt and reduce servicing costs.
He said the government would use the collateral of repurchased Brady bonds to retire more expensive short-term debt.

Ciments Français looks to raise FF1.5bn

By Antonia Sharpe
Ciments Français, the French cement giant, is seeking to raise FF1.5bn through a revolving credit facility arranged by Credit Suisse and Société Générale.
The multi-currency facility, which is fully underwritten by both banks, carries a margin of 45 basis points over London interbank offered rate (Libor) and a commitment fee of 30 basis points.

The facility, which the company will use to refinance existing lines of credit and expand its group of relationship banks, is expected to be launched into general syndication by the end of the month.
Meanwhile, a positive response from the 15 banks invited to participate in the \$250m seven-year facility for the City of Stockholm has raised the possibility the loan could be increased to \$300m.
Credit Suisse, the arranger, and co-arrangers ABN AMRO, Deutsche and Enkeldo, have already committed \$30m each.
By yesterday, \$100m had been raised from the market, leaving only another \$30m to complete the transaction.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Yield, Spread, Book-runner. Lists various international bond issues from US Dollar, D-Mark, and Swiss Franc issuers.

WORLD BOND PRICES

Table with columns: Country, Coupon, Bid, Price, Day's change, Yield, Week ago, Month ago. Lists benchmark government bonds for Australia, Belgium, Canada, Denmark, France, Germany, Ireland, Japan, Netherlands, Portugal, Spain, Sweden, UK, and US Treasury.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Bid, Price, Day's change, Yield, Week ago, Month ago. Lists various fixed interest indices including UK Gilts, US Treasury, and International.

FT FIXED INTEREST INDICES

Table with columns: Index, Bid, Price, Day's change, Yield, Week ago, Month ago. Lists various fixed interest indices including US Treasury, UK Gilts, and International.

US INTEREST RATES

Table with columns: Rate, Bid, Price, Day's change, Yield, Week ago, Month ago. Lists various US interest rates including Treasury bills, notes, and bonds.

UK GILTS PRICES

Table with columns: Rate, Bid, Price, Day's change, Yield, Week ago, Month ago. Lists various UK gilt prices including Treasury bills, notes, and bonds.

FT ISMIA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Price, Day's change, Yield, Week ago, Month ago. Lists various international bond issues from ISMIA.

BOND FUTURES AND OPTIONS

Table with columns: Contract, Bid, Price, Day's change, Yield, Week ago, Month ago. Lists various bond futures and options contracts.

OTHER FIXED INTEREST

Table with columns: Rate, Bid, Price, Day's change, Yield, Week ago, Month ago. Lists various other fixed interest instruments.

CONVERTIBLE BONDS

Table with columns: Issued, Bid, Price, Day's change, Yield, Week ago, Month ago. Lists various convertible bonds.

Large table containing various financial data, including bond prices, interest rates, and market indices. Includes a handwritten note at the bottom: 'سكوا من الأصل'.

MARKETS REPORT

Markets quiet as Bundesbank vigil continues

By Philip Gawth

Foreign exchange markets had another quiet day yesterday as traders took to the sidelines ahead of the Bundesbank council meeting today.

The D-Mark was also stronger against the French franc, helped by comments from the IMF that it foresees the possibility of renewed turbulence for the franc.

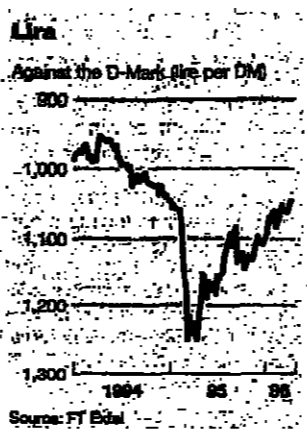
from DM1.5096, and at Y108.235, from Y108.155. Another focus of attention was Britain, where strong employment growth underpinned the interest rate market.

Starting was unaffected by the excitement, finishing at DM2.2797, from DM2.2767, and at \$1.5085, from \$1.5062.

The South Africa rand had a steady day, closing at RA235 against the dollar, from RA235 in Washington.

In the words of one analyst, it was a day more remarkable for the lack of price activity than for any particular movement. Although there was a fair amount of news crossing the wires, it was unmatched by similar movement in prices.

Mr. Malcolm Barr, currency analyst at Chase in London, said two other factors may have contributed to the recent quiet trading conditions. One was the generalised sell-off in bond markets during the first quarter, which had damaged the profitability of some traders and investors.



Against the D-Mark rate per DM

Looking ahead to the Bundesbank meeting, Mr. Kit Juckes, currency strategist at NatWest Markets in London, said: "The trick is trying to keep the carrot of a rate cut in front of the market, but not letting the market eat it. The Bundesbank wants to engineer dollar/D-Mark higher without

using up its rate cut ammunition to achieve it." Expectations of a rate cut had receded ahead of the meeting following recent weakness of the D-Mark, a slight rise in inflation and continued strong money supply growth.

A further risk for the dollar is the current position of the market. By reckoning of one FX house, the market is now very short D-Marks, arguably shorter than at any time over the past three years.

around 70 basis points in short term interest rates by the end of the year. Mr. Juckes said nothing in the minutes of the March monetary meeting, released yesterday, showed a need for interest rates to rise.

While sterling appears stuck in a range, Mr. Juckes says his concern was the economy's inability to take advantage of such a competitive currency to deliver export growth.

WORLD INTEREST RATES

Table showing Money Rates for various currencies including Belgium, France, Germany, Ireland, Italy, Netherlands, Switzerland, US, and Japan, with columns for rates and changes.

Table showing Euro Currency Interest Rates for various countries including Belgium, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, and UK.

Table showing Euro Currency Interest Rates for various countries including Belgium, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, and UK.

Table titled 'POUND SPOT FORWARD AGAINST THE POUND' showing exchange rates for various currencies against the pound.

Table titled 'DOLLAR SPOT FORWARD AGAINST THE DOLLAR' showing exchange rates for various currencies against the dollar.

Table titled 'EXCHANGE CROSS RATES' showing rates for various currencies including Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland, UK, Canada, US, and Japan.

Table titled 'UK INTEREST RATES' showing London Money Rates for various terms including 1-month, 3-month, 6-month, and 12-month.

Table titled 'EURO CURRENCY UNIT RATES' showing rates for various currencies including Spain, Netherlands, Belgium, Austria, Germany, Portugal, France, and Ireland.

Table titled 'BASE LENDING RATES' showing rates for various banks including Azura & Co., Abbey Trust Bank, AIG Bank, and others.

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Table titled 'EURO CURRENCY UNIT RATES' showing rates for various currencies including Spain, Netherlands, Belgium, Austria, Germany, Portugal, France, and Ireland.

Advertisement for ESSELTE ANNUAL GENERAL MEETING, detailing the agenda and shareholder information.

Advertisement for Futures Traders, Save on Every Trade, highlighting services like fast fills and access to worldwide markets.

Advertisement for UMC UNITED MICROELECTRONICS CORPORATION, providing notice to holders of the company.

Advertisement for RPS Residential Property Securities No.4 PLC, offering US\$100,000 Subordinated Collared Floating Rate Notes.

Table titled 'BASE LENDING RATES' showing rates for various banks including Azura & Co., Abbey Trust Bank, AIG Bank, and others.

Advertisement for HELP FILL THE CARE GAP IN BRITAIN, featuring The Macmillan Appeal and Cancer Relief Macmillan Fund.

Advertisement for Notice of Purchase US\$100,000, offering Subordinated Collared Floating Rate Notes.

سكنا من الاصل

BY TRUSTS SPLIT CAPITAL - Cont.

Table listing financial data for various trusts, including columns for company names, shares, and values.

LEISURE & HOTELS - Cont.

Table listing financial data for leisure and hotels companies.

Table listing financial data for leisure and hotels companies.

Table listing financial data for leisure and hotels companies.

OTHER FINANCIAL - Cont.

Table listing financial data for other financial companies.

Table listing financial data for other financial companies.

Table listing financial data for other financial companies.

PROPERTY - Cont.

Table listing financial data for property companies.

Table listing financial data for property companies.

Table listing financial data for property companies.

SUPPORT SERVICES - Cont.

Table listing financial data for support services companies.

Table listing financial data for support services companies.

Table listing financial data for support services companies.

AM - Cont.

Table listing financial data for American companies.

Table listing financial data for American companies.

Table listing financial data for American companies.

OTHER INVESTMENT TRUSTS

Table listing financial data for other investment trusts.

INVESTMENT COMPANIES

Table listing financial data for investment companies.

OIL EXPLORATION & PRODUCTION

Table listing financial data for oil exploration and production companies.

OIL, INTEGRATED

Table listing financial data for integrated oil companies.

PHARMACEUTICALS

Table listing financial data for pharmaceutical companies.

PROPERTY

Table listing financial data for property companies.

OTHER FINANCIAL

Table listing financial data for other financial companies.

RETAILERS, GENERAL - Cont.

Table listing financial data for general retailers.

SUPPORT SERVICES

Table listing financial data for support services companies.

TOBACCO

Table listing financial data for tobacco companies.

TRANSPORT

Table listing financial data for transport companies.

WATER

Table listing financial data for water companies.

AM

Table listing financial data for American companies.

TELECOMMUNICATIONS

Table listing financial data for telecommunications companies.

TEXTILES & APPAREL

Table listing financial data for textiles and apparel companies.

CANADIANS

Table listing financial data for Canadian companies.

SOUTH AFRICANS

Table listing financial data for South African companies.

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GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Index, a member of the Financial Times Group. Company classifications are based on those used for the FT-SE 100 Index.

Smiths Inds

Reuters launches 3000 range

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4376 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB RECOGNISED) funds including Royal Bank of Canada O/S Fd Mgrs Ltd - Contd. and various other fund names with their respective prices and changes.

BERMUDA (REGULATED)**

Table listing Bermuda (REGULATED)** funds including various investment and asset management funds.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB RECOGNISED) funds including various international and regional funds.

GUERNSEY (REGULATED)**

Table listing Guernsey (REGULATED)** funds including various asset management and investment funds.

ROYAL BANK OF CANADA O/S Fd Mgrs Ltd - Contd.

Table listing Royal Bank of Canada O/S Fd Mgrs Ltd - Contd. funds.

GUERNSEY (REGULATED)**

Table listing Guernsey (REGULATED)** funds.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB RECOGNISED) funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB RECOGNISED) funds.

IRELAND (REGULATED)**

Table listing Ireland (REGULATED)** funds.

LGT Asset Management Ltd

Table listing LGT Asset Management Ltd funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB RECOGNISED) funds.

IRELAND (REGULATED)**

Table listing Ireland (REGULATED)** funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB RECOGNISED) funds.

IRELAND (REGULATED)**

Table listing Ireland (REGULATED)** funds.

Delors Europe Fund Mgrs Ireland Ltd - Contd.

Table listing Delors Europe Fund Mgrs Ireland Ltd - Contd. funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

Mercury Fund Managers Intl Ltd

Table listing Mercury Fund Managers Intl Ltd funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

INVESTCO International Limited - Contd.

Table listing INVESTCO International Limited - Contd. funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

Facility Funds (SIB RECOGNISED)

Table listing Facility Funds (SIB RECOGNISED) funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

S-C-Carbon Luxembourg SA - Contd.

Table listing S-C-Carbon Luxembourg SA - Contd. funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

ISLE OF MAN (SIB RECOGNISED)**

Table listing Isle of Man (SIB RECOGNISED)** funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

صندوق الاستثمار

OFFSHORE INSURANCE

سكنا من الاموال

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4878 for more details.

Table of fund prices and performance data, including columns for fund name, price, and change.

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Table of fund prices and performance data, including columns for fund name, price, and change.

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Table of fund prices and performance data, including columns for fund name, price, and change.

Table of fund prices and performance data, including columns for fund name, price, and change.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES: This section contains detailed notes regarding the fund service, including information on currency, fees, and data sources.

LONDON STOCK EXCHANGE

MARKET REPORT

Worrying economic news sees equities retreat

By Steve Thompson, UK Stock Market Editor

Some worrying news on the domestic economy, which dented the gilt market, plus a poor opening performance by Wall Street took the wind out of the sails of the UK equities yesterday.

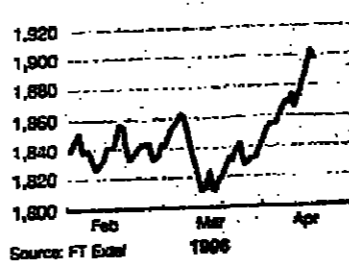
interest rates later in the year, in the event of any threatened expansion in money supply, was another dampener on the market.

Tuesday's intense speculation that a bid move against National Power was imminent.

than forecast rise in average earnings, news which was interpreted by some market observers as sharply reducing the chances of another trimming of UK interest rates in the medium term.

Senior dealers were by no means disheartened by the market's slide yesterday. "More bids in the utilities mean more cash coming into the market; and you have to remember that the market is due for some profit-taking after its recent good run," commented a senior marketmaker.

FT-SE-A All-Share Index



Indices and ratios table showing FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, and FT-SE-A All-Share yield.

Equity shares traded

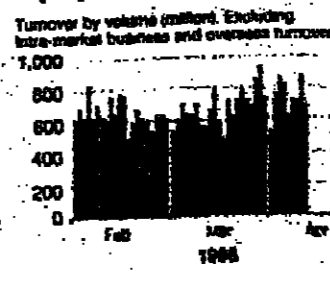


Table of market performance metrics including FT Ordinary index, FT-SE-A New Firm price, FT-SE 100 Full Jan, 10yr Gilt yield, and Worst performing sectors.

SE set to probe NatPower

Stock exchange officials look set to investigate dealings surrounding National Power. It was a surge in the price on Tuesday accompanied by very heavy turnover which prompted the UK generator to announce that Southern Company, the US utility, was considering a combination of the businesses of Southern Company and National Power.

Top conglomerate Hanson moved ahead against the market trend, adding 2 1/2% at 191 1/2p in 18m trading. The latest power merger talks were said to have stirred up speculation that there could be a bid for Hanson's power operations.

British Biotech, which stood below 500p a share nine months ago, added 55 at 2630p, a new closing high. And Celltech put on 22 at 589p.

rising high street competition. W.H. Smith shed 13 to 474p and Boots lost 10 to 630p, with the market starting to understand that there is no quick solution to Do It All, their jointly held DIY chain.

outpacing Wall Street estimates and taking an increase for the dividend. Amstrad jumped 12 1/2 to 195 1/2p, reversing a recent sharp sell-off. Acorn appreciated 10 to 213p and Forward Group advanced 28 to 709p.

trailing 3 at 327 1/2p, while it was general profit-taking in J. Sainsbury that saw the shares relinquish 3 to 372p.

FUTURES AND OPTIONS

Table of FT-SE 100 INDEX FUTURES (LIFTED) and FT-SE 100 INDEX OPTION (LIFTED) prices and changes.

Table of EURO STYLE FT-SE 100 INDEX OPTION (LIFTED) prices and changes for various strike prices.

National Power shares added to Tuesday's 30p rise with a jump of 56 1/2 to 578p on volume of 25m. And when turnover in the partly paid shares and traded options was added, the daily volume leapt to 40m - more than 3.5 per cent of the total issued equity.

SEAO bargains. Equity turnover (bn) - 1995.6 1859.3 2579.0 1762.6 1252.4. Shares traded (m) - 42,503 40,505 38,466 37,650 30,439.

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TRADING VOLUME

Table of Major Stocks Yesterday showing volume, change, and price for various companies like BHP, BT, and British Airways.

FINANCIAL TIMES EQUITY INDICES

Table of Financial Times Equity Indices for Ordinary Shares, P/E ratio, and SEAO bargains.

FT-SE 100

Table of FT-SE 100 index performance over time, including daily, weekly, and monthly changes.

FT-SE 350

Table of FT-SE 350 index performance over time, including daily, weekly, and monthly changes.

FT-SE All-Share

Table of FT-SE All-Share index performance over time, including daily, weekly, and monthly changes.

FT-SE Actuarial Share Indices

Table of FT-SE Actuarial Share Indices for various sectors like Mining, Chemicals, and Consumer Goods.

FT GOLD MINES INDEX

Table of FT Gold Mines Index performance over time, including daily, weekly, and monthly changes.

FT-SE Actuarial All-Share

Table of FT-SE Actuarial All-Share index performance over time, including daily, weekly, and monthly changes.

The UK Series

Table of The UK Series index performance over time, including daily, weekly, and monthly changes.

HSBC Samuel Montagu advertisement with text: 'WHEN CONSIDERING UK CORPORATE FINANCE, WE RECOMMEND YOU SEE A SPECIALIST.' Includes logo and contact information.

HSBC Samuel Montagu advertisement with text: 'THE SPECIALIST IN UK CORPORATE FINANCE.' Includes logo and contact information.

FT-SE Actuarial Share Indices and The UK Series tables. Includes detailed data for various sectors and indices.

Handwritten Arabic text: 'سكنا من الامل'

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections like -D-, -E-, -F-, -G-, -H-, -I-, -J-, -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, -Y-, -Z-.

Advertisement for Hewlett-Packard with the slogan 'Vault ahead. If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.

Large vertical advertisement for AMEX C (AMEX Clearing Corporation) with the slogan 'The New' and a stylized logo.

Handwritten Arabic text: 'صكوات الامل' (Sukwat al-amil)

Continued on next page

سكوا من الاموال

FINANCE: HOPE
trees sale price
yonnais stake

NYSE COMPOSITE PRICES

Table with columns: High, Low, Open, Close, Change. Lists various stocks and their prices.

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NASDAQ NATIONAL MARKET

Table with columns: High, Low, Open, Close, Change. Lists various stocks and their prices.

AMEX COMPOSITE PRICES

Table with columns: High, Low, Open, Close, Change. Lists various stocks and their prices.

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Worries over IBM outlook pressure Dow Bundesbank leaves Frankfurt cautious

Wall Street Renewed worries about the outlook for the technology sector in the second quarter...

bringing the index to 1,120.73. The Pacific Stock Exchange technology index retreated 1 per cent.

At 5,079.70 in very heavy trading of 70.4m shares.

A wave of futures-led selling pulled FRANKFURT back from an early all-time high...

which came under pressure from rising US bond yields and fading expectations of an early French rate cut.

FT-SE Actuaries Share Indices table with columns for Hourly changes, Open, High, Low, Close and dates from Apr 17 to Apr 18.

French state. AMSTERDAM fell on profit-taking, notably in publishing stocks.

Tuesday's annual shareholder meeting. The SMI index picked up from a low of 3,579.2 to finish a net 3.6 off at 3,603.9.

IBM shares initially jumped \$4 1/2 on the strength of its robust first-quarter profits of \$2.48 per share...

In addition to the losses at IBM, other declining issues put on the Dow included Coca-Cola, off 1 1/2% at \$79.40...

MEXICO CITY rallied further in early trade as the peso saw-sawed at the opening but appeared to survive Tuesday's sharp cut in primary Cetes rates.

Allianz recovered DM2 from the floor close to DM2,657. Deutsche Bank was unchanged at DM75.

Dealers said there was uncertainty as to whether the Bank of France would follow up this week's lowering of the call money rate with an early cut in leading interest rates.

Other major banks were slightly lower but some leading industrials closed higher, led by Ciba, which gained SF2.23 to SF1,480.

Crossair picked up SF60 to SF900 on speculation that Swissair could increase its stake to 100 per cent.

The company said a stronger dollar and a "difficult" period for the products it sells to other manufacturers could lower its second-quarter earnings.

BankAmerica slipped 3/4% to \$73.40 in spite of earnings of \$1.79 per share, 7 cents ahead of analysts' estimates.

SAO PAULO was mixed and volatility was expected to increase due to futures contracts expiring later in the session.

PARIS was weaker as investors took their lead from falling government bond futures.

Philips reversed an initial rise to close 10 cents down at FL60.80 as investors began to look ahead nervously to first-quarter results expected next Wednesday.

ZURICH recovered from an opening fall to close only slightly easier, but shares in UBS were sharply lower after

late futures-driven rally gave some clear trend to the day's performance. The All Ordinaries index was 7.0 higher at 2,968.8.

Industrials higher for second day

Industrials stormed higher for the second consecutive day as foreign buying lifted the prices of top-line counters, leaving goods to shed Tuesday's gains as bullion floundered.

price of gold and would look to the gold mining quarterly results, most of which will be released this week, dealers said.

The overall index was up 44.5 at 6,859.9, the industrials index surged 70.4 to 6,328.3 and the goods index slipped 19.4 to 1,837.7.

High-technology stocks led a morning rally but profit-taking eroded gains in the afternoon and the Nikkei averaged closed in negative territory, writes Emiko Terazono in Tokyo.

Heavy demand for financials helped TAIPEI to shrug off profit-taking pressure and the market rebounded 2.5 per cent after Tuesday's 3 per cent fall.

Financial shares, which soared last week but had slowed the pace of their rises in recent sessions, jumped 5.3 per cent.

BANGKOK fell back after the central bank announced measures including tighter reserve requirements for banks and finance institutions.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Table with columns for Market, No. of stocks, Dollar terms (Apr. 12 1996, % Change over week, % Change over Dec '95), Local currency terms (Apr. 12 1996, % Change over week, % Change over Dec '95).

The growth in GDP in the world's emerging markets is set to see a substantial rise between this year and the next, according to research by Mr Ralph Lazar of ING Barings.

FT/SE ACTUARIES WORLD INDICES

Table with columns for REGIONAL MARKETS, US, Europe, Asia, Pacific, Latin America, and DOLLAR INDEX, with sub-columns for Index, % Change, and Year Ago.

ASIA PACIFIC

Nikkei loses early gain, Taipei rallies 2.5%

in the gold market. Sumitomo Metal Mining receded Y20 to Y1,040 and Mitsubishi Materials decreased by Y20 to Y610.

Heavy demand for financials helped TAIPEI to shrug off profit-taking pressure and the market rebounded 2.5 per cent after Tuesday's 3 per cent fall.

The decline in commodity prices hit mining issues which had been supported by a rally

VIEWPOINT

Commerzbank's focus on German and European economic issues 4/96

Better than expected first-quarter earnings announcements by US high-technology companies boosted confidence towards the Japanese electronics and semiconductor manufacturing sector.

Large-capital steels eased under profit-taking by domestic institutions and brokerage dealers.

The decline in commodity prices hit mining issues which had been supported by a rally

Are tigers on Germany's doorstep?

Over the past few years, Germany's economic links with the former communist countries in Central and Eastern Europe have become stronger.

GERMANY OCCUPIES a special position in the relationship between the industrial countries of the West and the transitional economies of Central and Eastern Europe.

THE MEDIUM-TERM outlook is bright. In 1994, the Central and Eastern European countries (excluding the CIS), registered their first real GDP growth since

1989. This year and next, increases of between 2.5% and 6% are likely.

LOW LABOUR COSTS

together with the fact that the most advanced of the transitional economies are Germany's close neighbours have encouraged the notion that a group of European "Tigers" could develop on Germany's doorstep.

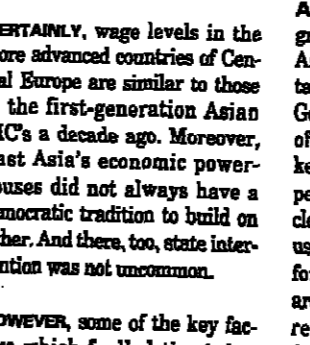
ALTHOUGH Europe has great potential, comparisons with Asia create unrealistic expectations. It is clear, however, that Germany has a presence in all of the world's expanding markets if it is to improve its competitiveness.

HOWEVER, some of the key factors which fuelled the Asian boom are absent in Central and Eastern Europe.

For information about Commerzbank's broad scope of research capabilities and financial services, just contact the bank's head office in Frankfurt.

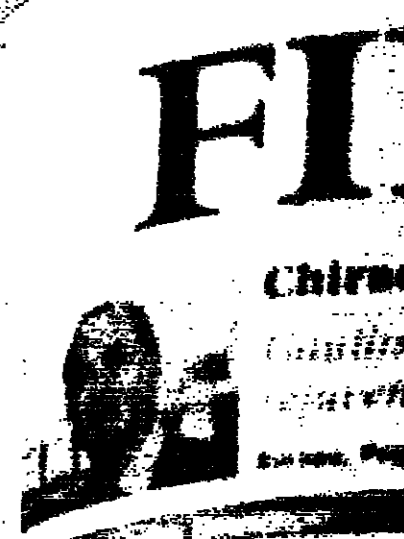
German merchandise exports to transitional economies

In value terms, percentage change on year



region's obvious economic potential, the analogy with Asia is not really valid.

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17 Greek tourists and an Egyptian murdered in Cal

long-haul services from Geneva to Zurich after sharp criticism from politicians.

MILAN was weak as investors remained cautious ahead of Sunday's election and, tomorrow's options expiry, while weaker domestic bonds and the lira added to the pressure.

STOCKHOLM was weighed down by a continued fall in Ericsson, although the downward trend was checked by a turnaround in Astra in the afternoon and a strong performance from the forestry sector.

MANILA ended lower as the market took a breather following two days of gains that lifted the index past the 3,000 level.



German know-how in global finance

Handwritten Arabic text: صكنا من الامل